

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**CITY OF SPARTA, TENNESSEE**

**For the Year Ended  
June 30, 2015**

## CONTENTS

### **Introductory Section (Unaudited):**

Directory of Principal Officials.....	Page 5
Organization Chart .....	6

### **Financial Section:**

Independent Auditor's Report.....	8
Management's Discussion and Analysis.....	11

#### **Basic Financial Statements:**

##### Government-wide Financial Statements:

Statement of Net Position.....	21
Statement of Activities .....	22

##### Fund Financial Statements:

Balance Sheet – Governmental Funds .....	23
Reconciliation of the Governmental Funds Balance Sheet.....	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	25
Reconciliation of the Statement of Revenues, Expenditures, And Changes In Fund Balances of Governmental Funds To the Statement of Activities .....	28
Statement of Net Position – Proprietary Funds .....	29
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds .....	30
Statement of Cash Flows – Proprietary Funds .....	31
Budgetary Comparison Statement – General Fund .....	33
Notes to the Financial Statements .....	35

#### **Required Supplementary Information..... 62**

#### **Supplementary Information:**

Combining Balance Sheet – Nonmajor Governmental Funds .....	67
Combining Statement of Revenues, Expenditures, and Changes in Net Position - Nonmajor Governmental Funds .....	68
Budgetary Comparison Schedule – Debt Service Fund .....	69
Budgetary Comparison Schedule – State Street Aid .....	70
Budgetary Comparison Schedule – Solid Waste Fund .....	71
Budgetary Comparison Schedule – Drug Fund .....	72
Budgetary Comparison Schedule – Liberty Square Fund.....	73
Budgetary Comparison Schedule – Industrial Development Fund	74
Budgetary Comparison Schedule – Equipment Fund .....	75
Budgetary Comparison Schedule – Capital Projects Fund .....	76
Schedule of Expenditures of Federal Awards and State Financial Assistance .....	77

## CONTENTS (CONTINUED)

### **Other Financial Information (Unaudited):**

Long-Term Debt Principal and Interest Requirements .....	79
Bonds Payable and Debt Service Requirements - Sparta	
Water and Sewer System .....	80
Property Taxes .....	81
Schedule of Unaccounted for Water .....	82
Schedule of General and Special Revenue Fund Revenues .....	84
Schedule of General and Special Revenue Fund Expenditures .....	86
Schedule of Utility Rates – Sparta Electric System.....	95
Schedule of Utility Rates – Sparta Water and Sewer System.....	96
Insurance in Force.....	97

### **Compliance:**

Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	100
Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule Of Expenditures of Federal Awards Required by OMB Circular A-133 .....	102
Schedule of Findings and Questioned Costs.....	105
Schedule of Prior Year Findings and Questioned Costs.....	106

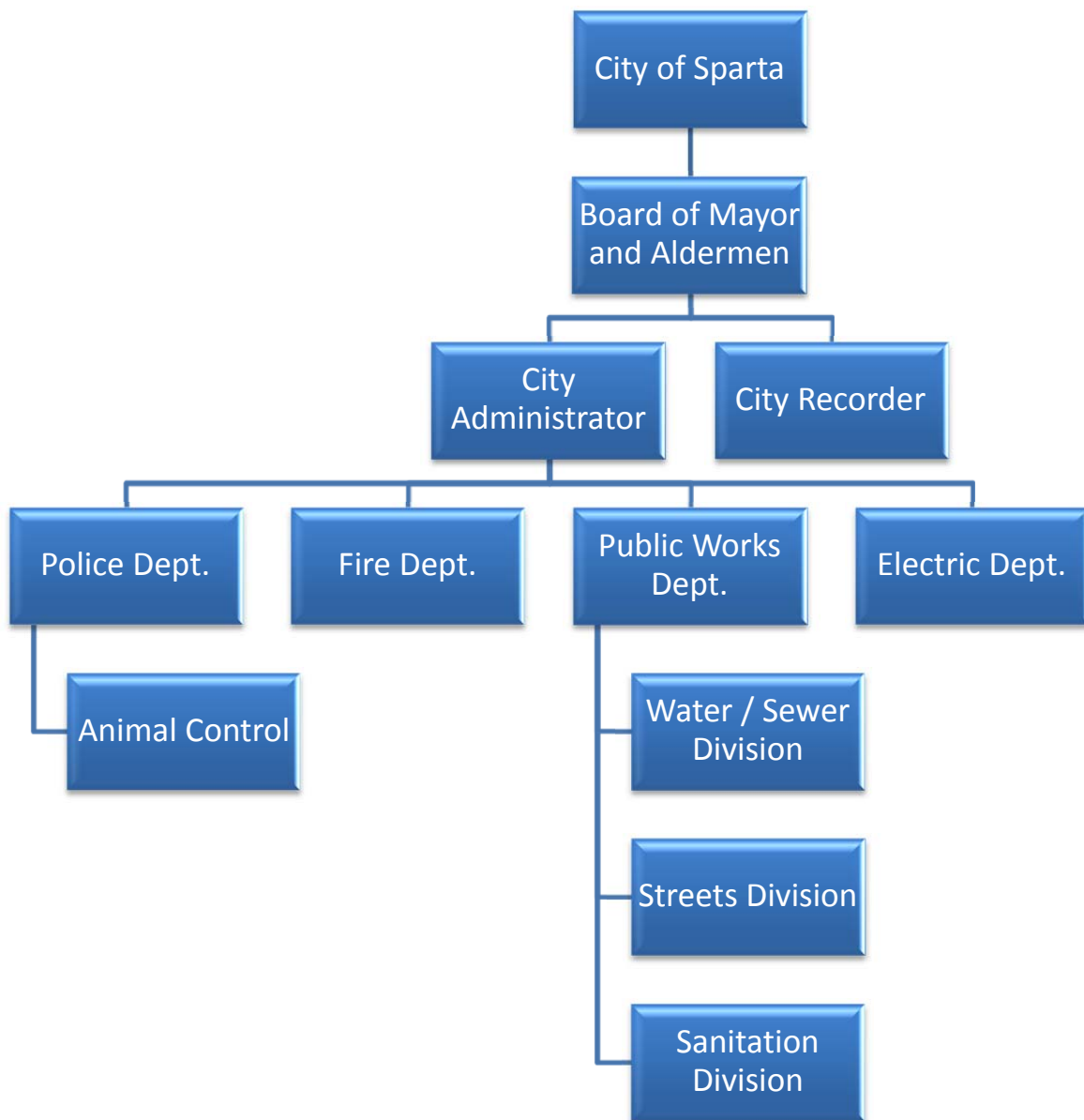
**INTRODUCTORY SECTION (UNAUDITED)**

**CITY OF SPARTA, TENNESSEE  
PRINCIPAL OFFICIALS  
June 30, 2015**

Mayor	Jeff Young
Vice-Mayor	Robert Verble
Board of Aldermen	Robert Officer Judy Payne Chad Griffen Jim Floyd Hoyte Jones
City Administrator	Christopher Dorsey
City Recorder and CMFO	Tonya R. Tindle
City Attorney	Lynn Omohundro
Public Works Director	Dillard Quick
Electric System Director	L.R. West

# CITY OF SPARTA

## ORGANIZATION CHART



## **FINANCIAL SECTION**

# **ALBERT R. DICUS**

***Certified Public Accountant***

***Member: AICPA; TSCPA***

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## **INDEPENDENT AUDITOR'S REPORT**

Mayor and Board of Aldermen  
City of Sparta, Tennessee  
Sparta, Tennessee

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General fund and each major fund of the City of Sparta, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of



significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General fund and each major fund of the City of Sparta, Tennessee as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability (asset) and related ratios and contributions based on participation in the public employee pension plan of TCRS on pages 11 through 19 and page 63 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

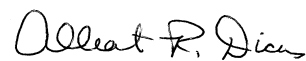
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sparta, Tennessee's basic financial statements. The information presented as the "Introductory Section," "Supplementary Information," and the "Other Financial Information" in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information described as “Supplementary Information” (including the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*) in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information described as “Supplementary Information” is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information described as the “Introductory Section” and the “Other Financial Information” in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, I do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report date March 23, 2016, on my consideration of the City of Sparta, Tennessee’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sparta, Tennessee’s internal control over financial reporting and compliance.



Certified Public Accountant

Sparta, Tennessee  
March 23, 2016



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sparta, Tennessee we offer readers of the City of Sparta, Tennessee's financial statements this narrative overview and analysis of the financial activities of the City of Sparta for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars.

### FINANCIAL HIGHLIGHTS

Management believes the City of Sparta's financial condition is adequate and improving. The City follows the financial policies and guidelines set by the Board and management. The following are key financial highlights.

The assets and deferred outflows of the City of Sparta exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$32,713,330. Of this amount, \$8,231,440 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.

At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$4,102,009, an increase of \$86,074 in comparison with the prior year. \$3,179,442 is available for spending at the government's discretion (unassigned fund balance).

At June 30, 2015 unassigned fund balance for the General Fund was \$3,179,442 or 96.04% of total general fund expenditures.

The City's total debt increased by a net \$183,126 during the year ended June 30, 2015. Of this amount, general long-term debt decreased by \$158,010; water and sewer long-term debt increased by \$341,136.

The City's total net position increased by \$2,083,969 during the year ended June 30, 2015.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the city's financial condition and activities. Summary financial statement data, key financial and operational indicators, budget and other management tools were used for this analysis. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains "Required Supplementary Information" and other supplementary information in addition to the basic financial statements themselves.



**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents the financial position of the City on a full accrual, historical cost basis. The statement of net position provides information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, drug enforcement, parks and recreation, airport, economic development and sanitation services. The business-type activities of the City include the operations of the electric, water and sewer facilities.

The government-wide financial statements can be found on pages 21-22 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten individual governmental funds. Eight of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund, as well as nonmajor governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriations budget for its general fund and all nonmajor funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 23-28 of this report.

**Proprietary funds.** The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Water and Sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Electric, Water and Sewer activities of the City, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 29-32 of this report.

**Notes to the financial statements.** The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the government-wide and fund financial statements. The notes present information about the City's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 35-61 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain "required supplementary information" concerning the City's general fund budget and the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 33 and 62 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sparta, assets exceeded liabilities by \$32,713,330 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (74.61%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At year end 0.22% of the City's net position represented resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$8,231,440) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2015, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The City's overall financial position improved during fiscal year 2015.

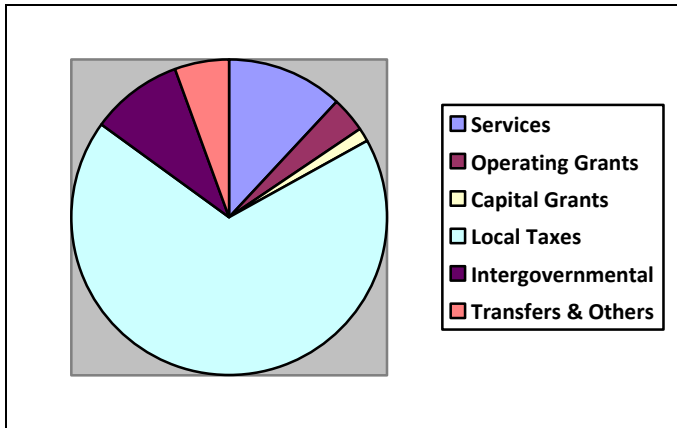
<b>Summary of Net Position</b>							
	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>				<b>Change</b>
							<b>Increase</b>
							<b>(Decrease)</b>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
Current and other assets	\$ 5,481,420	\$ 5,224,117	\$ 6,205,175	\$ 6,922,856	\$ 11,686,595	\$ 12,146,973	\$ (460,378)
Capital assets	<u>7,146,382</u>	<u>6,923,686</u>	<u>22,436,912</u>	<u>20,747,077</u>	<u>29,583,294</u>	<u>27,670,763</u>	<u>1,912,531</u>
<b>Total assets</b>	\$ 12,627,802	\$ 12,147,803	\$ 28,642,087	\$ 27,669,933	\$ 41,269,889	\$ 39,817,736	\$ 1,452,153
<b>Deferred outflows of resources -</b>	\$ 296,670	\$ -	\$ 246,254	\$ -	542,924	-	542,924
Long-term liabilities	\$ 1,340,015	\$ 1,508,329	\$ 4,058,904	\$ 3,717,341	\$ 5,398,919	\$ 5,225,670	\$ 173,249
Other liabilities	<u>233,011</u>	<u>22,339</u>	<u>1,420,836</u>	<u>1,912,794</u>	<u>1,653,847</u>	<u>1,935,133</u>	<u>(281,286)</u>
<b>Total liabilities</b>	\$ 1,573,026	\$ 1,530,668	\$ 5,479,740	\$ 5,630,135	\$ 7,052,766	\$ 7,160,803	\$ (108,037)
<b>Deferred inflows of resources</b>	1,698,010	1,101,273	348,708	-	2,046,718	1,101,273	945,445
<b>Net position</b>							
Net investment in capital assets	5,952,805	5,572,098	18,455,489	17,655,471	24,408,294	23,227,569	1,180,725
Restricted	73,596	80,195	-	150,243	73,596	230,438	(156,842)
Unrestricted	<u>3,627,036</u>	<u>3,863,568</u>	<u>4,604,404</u>	<u>4,234,084</u>	<u>8,231,440</u>	<u>8,097,652</u>	<u>133,788</u>
<b>Total net position</b>	\$ 9,653,437	\$ 9,515,861	\$ 23,059,893	\$ 22,039,798	\$ 32,713,330	\$ 31,555,659	\$ 1,157,671

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net assets for the year ended June 30, 2015.

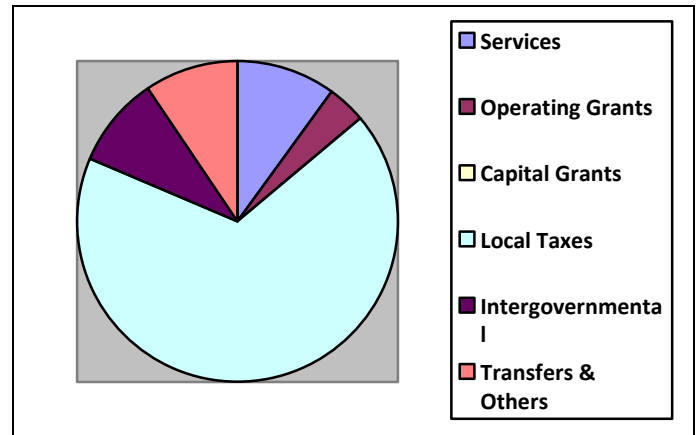
### City of Sparta, Tennessee's Changes in Net Position

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Totals</b>		<b>Total Change</b>
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	
Revenues:							
Program Revenues:							
Charges for Services	\$ 573,368	\$ 539,937	\$ 14,239,230	\$ 14,220,774	\$ 14,812,598	\$ 14,760,711	51,887
Operating grants and contributions	179,779	182,462			179,779	182,462	(2,683)
Capital grants and contributions	2,090	64,636			2,090	64,636	(62,546)
General Revenues:							
Local taxes	3,149,124	3,100,649			3,149,124	3,100,649	48,475
Intergovernmental	438,964	434,169			438,964	434,169	4,795
Interest on investments	3,098	2,742	3,142	2,892	6,240	5,634	606
Other	<u>282,800</u>	<u>254,355</u>	<u>3,985</u>	<u>1,302</u>	<u>286,785</u>	<u>255,657</u>	<u>31,128</u>
Total revenues	<u>4,629,223</u>	<u>4,578,950</u>	<u>14,246,357</u>	<u>14,224,968</u>	<u>18,875,580</u>	<u>18,803,918</u>	<u>71,662</u>
Expenses:							
General government	827,467	817,580			827,467	817,580	9,887
Public Safety	1,547,852	1,631,458			1,547,852	1,631,458	(83,606)
Highway and Streets	762,574	852,838			762,574	852,838	(90,264)
Airport	28,000	28,000			28,000	28,000	-
Parks and recreation	354,291	315,035			354,291	315,035	39,256
Interest on long-term debt	33,748	37,599	-	-	33,748	37,599	(3,851)
Economic Development	37,577	8,402			37,577	8,402	29,175
Sanitation	518,940	413,731			518,940	413,731	105,209
Electric			10,783,816	10,663,907	10,783,816	10,663,907	119,909
Water and sewer	<u>-</u>	<u>-</u>	<u>3,132,895</u>	<u>2,954,550</u>	<u>3,132,895</u>	<u>2,954,550</u>	<u>178,345</u>
Total expenses	<u>4,110,449</u>	<u>4,104,643</u>	<u>13,916,711</u>	<u>13,618,457</u>	<u>18,027,160</u>	<u>17,723,100</u>	<u>304,060</u>
Increase (Decrease) in net position before capital contributions and transfers	518,774	474,307	329,646	606,511	848,420	1,080,818	(232,398)
Capital Contributions and Transfers:							
Grants			1,235,550	40,637	1,235,550	40,637	1,194,913
Operating Transfers In	445,666	445,666	-	-	445,666	445,666	-
Operating Transfers Out	<u>(307,950)</u>	<u>(307,950)</u>	<u>(137,716)</u>	<u>(137,716)</u>	<u>(445,666)</u>	<u>(445,666)</u>	<u>-</u>
Increase in Net Position	656,490	612,023	1,427,480	509,432	2,083,970	1,121,455	962,515
Net position(restated) - July 1	<u>8,996,947</u>	<u>8,903,839</u>	<u>21,632,413</u>	<u>21,530,365</u>	<u>30,629,360</u>	<u>30,434,204</u>	<u>195,156</u>
Net position - June 30	<u>\$ 9,653,437</u>	<u>\$ 9,515,862</u>	<u>\$ 23,059,893</u>	<u>\$ 22,039,797</u>	<u>\$ 32,713,330</u>	<u>\$ 31,555,659</u>	<u>\$ 1,157,671</u>

## 2014 Governmental Revenues



## 2015 Governmental Revenues



This graph shows the percentages of revenues collected for the governmental funds for the year ended June 30, 2015 and June 30, 2014. As discussed earlier, the City relies heavily on local taxes, such as sales tax. Capital grants decreased by \$62,546.

**Governmental activities.** Governmental activities increased the City of Sparta's net position by \$656,489, which accounts for 31.50% of the total growth in the net position of the City of Sparta in FY 2015. Key elements of this increase are as follows:

Decreases in expenses and increases in service revenue resulted in an increase in net position in these funds for the year ended June 30, 2015. There was also a restatement of net position of \$518,915, as explained in Note O of the financial statements.

**Business-type activities.** Business-type activities increased the City's net position by \$1,427,480 accounting for a 68.50% increase in the government's net position. Key elements of the increase are as follows:

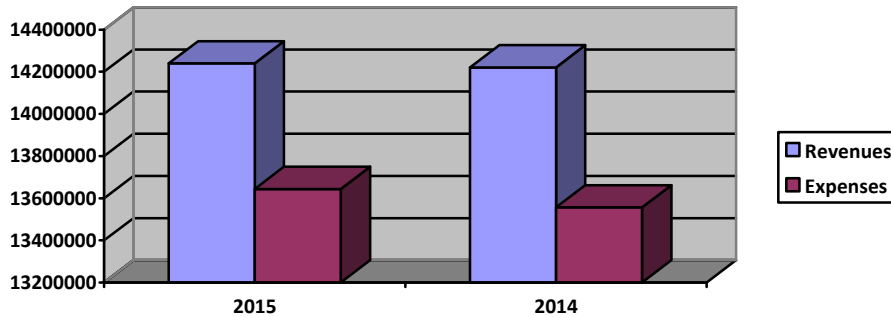
The program revenues for the Electric, Water and Sewer activities for the City were \$523,146 more than the expenses of those services along with capital grants received of 1,235,550 for the fiscal year ended June 30, 2015.

Financial Analysis of the Government's Funds:

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



### Business-type activities Revenues verses Expenses



Business-type activities are shown comparing cost to revenues generated by related services. Electric, water and sewer utilities are intended to be self-supporting with user charges and other revenues designed to recover costs. Sewer charges did not fully recover depreciation associated with the significant investment in capital assets for either year. Operating expenses increased in 2015 by \$87,265, while operating revenues also increased by \$18,456.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,102,009 an increase of \$86,074 in comparison with the prior year. \$3,179,442 of this amount constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,179,442. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 96.04% of total general fund expenditures, while total fund balance represents 96.63%.

The fund balance of the City's general fund increased by \$45,134 as a result of the current fiscal year operations.

**Proprietary funds.** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Electric, Water and Sewer funds at the end of the year amounted to \$4,604,404. The total increase in net position for the Electric, Water and Sewer funds were \$1,427,480. Other factors concerning the finances have been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for expenses were minor and can be briefly summarized as follows:

	<u>Budget:</u>	<u>Increase to:</u>
General Fund 110	\$4,281,202	\$ 4,678,452
Special Revenue Fund 120	152,500	199,000
Special Revenue Fund 123	10,000	10,080
Solid Waste Fund 125	418,749	535,714
Special Revenue Fund 126	5,000	11,245
Liberty Square Fund 127	30,000	32,000
Capital Projects Fund 311	155,000	365,000

### Capital Asset and Debt Administration

At the end of fiscal year 2015, the City had \$29,583,295 (net of accumulated depreciation) invested in a broad range of capital assets. This investment includes land and land improvements, buildings, utility system, equipment and infrastructure.

Major capital asset events during the current fiscal year included the following:

Purchase of additional various equipment and vehicles  
Water and Sewer line rehab and major improvements on three pump stations.

Additional information on the City's capital assets can be found in Note E on page 47 of this report.

The following tables summarize the City's capital assets for the year ended June 30, 2015. These changes are presented in detail in Note E to the financial statements.

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Buildings	\$ 3,260,170	\$ 3,260,170	\$ -	\$ -	\$ 3,260,170	\$ 3,260,170
Construction in Progress	30,576	5,000	46,232	1,182,657	76,808	1,187,657
Land	701,236	701,236	265,412	268,784	966,648	970,020
Improvements, other than building	4,064,920	4,044,638	5,715,568	6,249,851	9,780,488	10,294,489
Infrastructure	1,364,123	1,088,678			1,364,123	1,088,678
Utility System			32,083,953	29,604,720	32,083,953	29,604,720
Equipment	4,182,340	4,236,922	2,872,531	2,561,994	7,054,871	6,798,916
Less: Accumulated Depreciation	(6,456,983)	(6,412,958)	(18,546,784)	(19,120,930)	(25,003,767)	(25,533,888)
Total	<u>\$ 7,146,382</u>	<u>\$ 6,923,686</u>	<u>\$ 22,436,912</u>	<u>\$ 20,747,076</u>	<u>\$ 29,583,294</u>	<u>\$ 27,670,762</u>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,125,920. All debt is backed by the full faith and credit of the government.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
General obligation bonds	\$ 1,193,577	\$ 1,351,588	\$ 2,342,343	\$ 2,695,975	\$ 3,535,920	\$ 4,047,563	(511,643)
Revenue bonds	-	-	1,590,000	895,231	1,590,000	895,231	694,769
Total	<u>\$ 1,193,577</u>	<u>\$ 1,351,588</u>	<u>\$ 3,932,343</u>	<u>\$ 3,591,206</u>	<u>\$ 5,125,920</u>	<u>\$ 4,942,794</u>	<u>\$ 183,126</u>

The City's total bonded debt increased a net \$183,126, during the current fiscal year. Of this amount, general obligation debt decreased by \$158,010, while electric, water and sewer bonded debt increased by \$341,136.

Additional information on the City's long-term debt can be found in Note F, beginning on pages 48.

### **Economic Factors and Next Year's Budget and Rates**

Factors considered in preparing the City's budget for the 2015 fiscal year include the following:

- The 2015 unemployment rate for Sparta and White County was 6.90 %, compared to the State's rate of 5.60% and the national average unemployment rate of 5.30 %.
- Continually decreasing sales tax revenues is making revenue budget projections hard with constant and growing expenses.
- Budgeting with a slight increase in taxes to be able to meet the demand of services provided by the City to the taxpayers will be a challenge.

At June 30, 2015 the unassigned fund balance in the general fund was \$3,179,442. The property tax rate was \$1.05 per \$100 of assessed value of property. Electric, Water and Sewer rates did not increase this year.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for any additional information should be directed to the Office of the City Administrator, City of Sparta, Post Office Box 30, Sparta, Tennessee 38583.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SPARTA, TENNESSEE**  
**GOVERNMENT WIDE STATEMENT OF NET POSITION**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents - Note C	\$ 3,549,955.33	\$ 4,165,633.75	\$ 7,715,589.08
Property taxes receivable, less allowance for doubtful taxes (\$9,037.51) - Note B	1,330,465.22	-	1,330,465.22
Accounts receivable - net	-	1,068,758.20	1,068,758.20
Unbilled revenue	-	431,033.19	431,033.19
Other receivables	21,499.68	190,021.76	211,521.44
Grants receivable	-	30,753.16	30,753.16
Due from other governments	504,393.97	-	504,393.97
Internal balances	32,457.15	(32,457.15)	(0.00)
Inventories	-	261,104.24	261,104.24
Prepaid expenses and other current assets	18,817.95	90,327.23	109,145.18
Notes receivable	23,831.01	-	23,831.01
Capital assets - Note E:			
Land and construction in progress	731,812.02	311,644.11	1,043,456.13
Buildings and equipment, net of depreciation	6,414,570.16	22,125,268.24	28,539,838.40
<b>TOTAL ASSETS</b>	<b>\$ 12,627,802.49</b>	<b>\$ 28,642,086.73</b>	<b>\$ 41,269,889.22</b>
<b>DEFERRED OUTFLOWS OF RESOURCES -</b>			
Deferred outflows related to pensions	\$ 296,670.05	\$ 246,253.89	\$ 542,923.94
<b>LIABILITIES</b>			
Accounts payable	\$ 26,608.62	\$ 511,567.70	\$ 538,176.32
Accounts payable - construction	-	49,080.20	49,080.20
Customer deposits	-	456,145.00	456,145.00
Accrued expenses	2,215.09	243,732.62	245,947.71
Net pension liability	204,187.02	160,310.01	364,497.03
Long-term liabilities - Note F			
Due within one year	308,271.01	514,350.57	822,621.58
Due in more than one year	1,031,743.90	3,544,553.25	4,576,297.15
<b>TOTAL LIABILITIES</b>	<b>\$ 1,573,025.64</b>	<b>\$ 5,479,739.35</b>	<b>\$ 7,052,764.99</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred revenue - current property taxes	\$ 1,253,836.31		\$ 1,253,836.31
Deferred inflows related to pensions	444,174.16	\$ 348,707.81	792,881.97
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 1,698,010.47</b>	<b>\$ 348,707.81</b>	<b>\$ 2,046,718.28</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,952,804.73	\$ 18,455,489.49	\$ 24,408,294.22
Restricted for:			
Drug fund	29,325.07	-	29,325.07
Highways and streets	44,270.52	-	44,270.52
Unrestricted	3,627,036.11	4,604,403.97	8,231,440.08
<b>TOTAL NET POSITION</b>	<b>\$ 9,653,436.43</b>	<b>\$ 23,059,893.46</b>	<b>\$ 32,713,329.89</b>

**CITY OF SPARTA, TENNESSEE**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 827,467.40	\$ 71,956.98	\$ 4,400.00	\$ -	\$ (751,110.42)	\$ -	\$ (751,110.42)
Public safety	1,547,851.21	141,430.88	9,727.81	-	(1,396,692.52)	-	(1,396,692.52)
Highways, streets and public works	762,574.21	-	144,228.43	-	(618,345.78)	-	(618,345.78)
Sanitation	518,940.29	346,370.00	-	-	(172,570.29)	-	(172,570.29)
Leisure and culture	354,291.07	13,610.00	21,423.00	2,090.11	(317,167.96)	-	(317,167.96)
Airport	28,000.00	-	-	-	(28,000.00)	-	(28,000.00)
Economic development	37,576.80	-	-	-	(37,576.80)	-	(37,576.80)
Interest and fees on long-term debt	33,748.18	-	-	-	(33,748.18)	-	(33,748.18)
<b>Total governmental activities</b>	<b>\$ 4,110,449.16</b>	<b>\$ 573,367.86</b>	<b>\$ 179,779.24</b>	<b>\$ 2,090.11</b>	<b>\$ (3,355,211.95)</b>	<b>\$ -</b>	<b>\$ (3,355,211.95)</b>
Business-type activities							
Water and sewer	\$ 2,932,268.54	\$ 3,016,500.02	\$ -	\$ 1,235,550.05	\$ -	\$ 1,319,781.53	\$ 1,319,781.53
Electric	10,783,816.05	11,222,730.42	-	-	-	438,914.37	438,914.37
<b>Total business-type activities</b>	<b>\$ 13,716,084.59</b>	<b>\$ 14,239,230.44</b>	<b>\$ -</b>	<b>\$ 1,235,550.05</b>	<b>\$ -</b>	<b>\$ 1,758,695.90</b>	<b>\$ 1,758,695.90</b>
<b>Total primary government</b>	<b>\$ 17,826,533.75</b>	<b>\$ 14,812,598.30</b>	<b>\$ 179,779.24</b>	<b>\$ 1,237,640.16</b>			
General revenues:							
Taxes:							
Property taxes, penalty and interest					\$ 1,142,865.96	\$ -	\$ 1,142,865.96
Payments in lieu of taxes					158,676.04	-	158,676.04
Local option sales tax					1,645,093.72	-	1,645,093.72
Wholesale beer tax					202,488.17	-	202,488.17
State sales tax					384,060.77	-	384,060.77
State income tax					51,005.07	-	51,005.07
State beer and alcoholic beverage tax					3,401.49	-	3,401.49
State telecom tax					496.40	-	496.40
State corporate excise tax					59,677.89	-	59,677.89
Business taxes, penalty and interest					186,520.03	-	186,520.03
Miscellaneous					10,247.43	3,985.00	14,232.43
Bond issuance cost					-	-	-
Gain (Loss) on sale of capital assets					26,355.01	(200,626.71)	(174,271.70)
Unrestricted interest earnings					3,097.54	3,141.54	6,239.08
Transfers					137,715.60	(137,715.60)	-
<b>Total general revenues</b>					<b>\$ 4,011,701.12</b>	<b>\$ (331,215.77)</b>	<b>\$ 3,680,485.35</b>
Change in net position					\$ 656,489.17	\$ 1,427,480.13	\$ 2,083,969.30
Net position - beginning - restated, Note O					8,996,947.26	21,632,413.33	30,629,360.59
Net position - ending					<b>\$ 9,653,436.43</b>	<b>\$ 23,059,893.46</b>	<b>\$ 32,713,329.89</b>

Interest incurred during the year in the business type activities totaled \$101,773.21, of which \$64,843.97 was charged to expense.

**CITY OF SPARTA, TENNESSEE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<b>GOVERNMENTAL FUND TYPES</b>			
	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor Funds</b>	<b>Total Government Funds</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents - Note A	\$ 2,687,515.26	\$ 108,042.32	\$ 754,397.75	\$ 3,549,955.33
Property taxes receivable, less allowance for doubtful taxes (\$9,037.51) - Note B	1,330,465.22	-	-	1,330,465.22
Notes receivable	-	-	23,831.01	23,831.01
Other receivables	21,499.68	-	-	21,499.68
Due from other governments	479,860.00	-	24,533.97	504,393.97
Due from other funds	39,942.48	-	28,643.00	68,585.48
Other assets	18,817.95	-	-	18,817.95
<b>Total assets</b>	<b>\$ 4,578,100.59</b>	<b>\$ 108,042.32</b>	<b>\$ 831,405.73</b>	<b>\$ 5,517,548.64</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 26,538.39	\$ -	\$ 70.23	\$ 26,608.62
Unearned revenue - other revenue	26,943.26	-	-	26,943.26
Due to other funds	-	-	36,128.33	36,128.33
				-
<b>Total liabilities</b>	<b>\$ 53,481.65</b>	<b>\$ -</b>	<b>\$ 36,198.56</b>	<b>\$ 89,680.21</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable revenue - property taxes	\$ 1,325,859.04	\$ -	\$ -	\$ 1,325,859.04
<b><u>FUND BALANCES</u></b>				
<b>Nonspendable fund balance:</b>	<b>\$ 18,817.95</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,817.95</b>
<b>Restricted fund balances:</b>				
Drug fund	-	-	29,325.07	29,325.07
Highways and streets	-	-	44,270.52	44,270.52
<b>Committed fund balances:</b>				
Industrial development fund	-	-	646,340.01	646,340.01
Solid waste fund	-	-	33,381.55	33,381.55
<b>Assigned fund balances:</b>				
General fund	500.00	-	-	500.00
Equipment fund	-	-	34,687.34	34,687.34
Liberty square fund	-	-	7,183.77	7,183.77
THDA Home fund	-	-	18.91	18.91
Debt service fund	-	108,042.32	-	108,042.32
<b>Unassigned fund balance:</b>	<b>3,179,441.95</b>	<b>-</b>	<b>-</b>	<b>3,179,441.95</b>
<b>Total fund balances</b>	<b>\$ 3,198,759.90</b>	<b>\$ 108,042.32</b>	<b>\$ 795,207.17</b>	<b>\$ 4,102,009.39</b>
	<b>\$ 4,578,100.59</b>	<b>\$ 108,042.32</b>	<b>\$ 831,405.73</b>	<b>\$ 5,517,548.64</b>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2015**

Total fund balances for governmental funds	\$ 4,102,009.39
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	7,146,382.18
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Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds:

Property taxes	\$ 72,022.73	
State income taxes	26,943.26	98,965.99

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances at June 30, 2015 are as follows:

Bonds and notes payable	\$ (1,193,577.45)	
Accrued interest on bonds	(2,215.09)	
Compensated absences	(146,437.46)	(1,342,230.00)

Pension liabilities, including deferred inflows and outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	(351,691.13)
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<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 9,653,436.43</b>
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**CITY OF SPARTA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2015**

	<b>General</b>	<b>Debt Service Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Taxes and tax equivalents	\$ 3,283,831.87	\$ -	\$ -	\$ 3,283,831.87
Licenses and permits	26,917.40	-	-	26,917.40
Intergovernmental	609,559.31	-	133,883.61	743,442.92
Fines and costs	93,157.48	-	3,903.00	97,060.48
Charges for services	50,936.86	-	346,138.00	397,074.86
Rent	3,350.00	-	-	3,350.00
Interest	2,013.20	91.39	992.95	3,097.54
Contributions	4,400.00	-	21,550.81	25,950.81
Other	10,247.43	-	-	10,247.43
<b>TOTAL REVENUES</b>	<b>\$ 4,084,413.55</b>	<b>\$ 91.39</b>	<b>\$ 506,468.37</b>	<b>\$ 4,590,973.31</b>
<b>Expenditures:</b>				
Board of Aldermen	\$ 6,910.37	\$ -	\$ -	\$ 6,910.37
City Court	34,146.04	-	-	34,146.04
Mayor	10,257.33	-	-	10,257.33
Boards and commissions	810.00	-	-	810.00
City Administrator	90,880.90	-	-	90,880.90
Financial Administration	6,356.00	-	-	6,356.00
City Recorder	38,548.55	-	-	38,548.55
City Attorney	8,910.12	-	-	8,910.12
Personnel administration	1,064.50	-	-	1,064.50
GIS System	8,117.26	-	-	8,117.26
City Hall buildings	37,528.19	-	-	37,528.19
General Election	528.00	-	-	528.00

**CITY OF SPARTA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS (CONT'D)**  
**Year ended June 30, 2015**

	<b>General</b>	<b>Debt Service Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
Industrial park	591.36	-	-	591.36
Public works	46,332.32	-	319,197.16	365,529.48
Planning	16,000.00			16,000.00
General government	205,260.73	-	-	205,260.73
Police	916,054.50	-	61,193.60	977,248.10
Traffic control	1,466.47	-	-	1,466.47
Contribution to E-911	69,954.00	-	-	69,954.00
Fire Department	405,414.95	-	33,277.74	438,692.69
Protective inspection	55,815.59	-	-	55,815.59
Rescue squad	3,300.00	-	-	3,300.00
Highways and streets	653,010.84	-	230,378.31	883,389.15
Sanitation	-	-	487,340.02	487,340.02
Animal control	36,094.04	-	-	36,094.04
Direct assistance	114,148.01	-	-	114,148.01
Civic Center	22,375.46	-	-	22,375.46
Oldham Theater	5,152.64	-	-	5,152.64
Little League Ballparks	12,021.01	-	-	12,021.01
Swimming Pool - YMCA	132,144.63	-	-	132,144.63
Liberty Square Celebrations	-	-	31,613.19	31,613.19
Amphitheater concerts	7,849.44	-	-	7,849.44
Parks	38,749.33	-	-	38,749.33
Economic development and assistance	732.17	-	10,080.00	10,812.17

**CITY OF SPARTA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS (CONT'D)**  
**Year ended June 30, 2015**

	<b>General</b>	<b>Debt Service Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
Weed and mosquito control	2,284.32	-	-	2,284.32
Retail Coach	26,173.27	-	-	26,173.27
Insurance	258,881.84	-	-	258,881.84
Municipal Airport	28,000.00	-	-	28,000.00
Calfkiller Riverwalk	1,980.00	-	-	1,980.00
Debt service:				
Principal payments	3,642.96	154,367.40	-	158,010.36
Interest	2,931.04	30,515.21	-	33,446.25
Fees	-	588.88	-	588.88
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,310,418.18</b>	<b>\$ 185,471.49</b>	<b>\$ 1,173,080.02</b>	<b>\$ 4,668,969.69</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER EXPENDITURES</b>	<b>\$ 773,995.37</b>	<b>\$ (185,380.10)</b>	<b>\$ (666,611.65)</b>	<b>\$ (77,996.38)</b>
<b>Other financing sources (uses):</b>				-
Operating transfers in	137,715.60	185,471.49	715,961.60	1,039,148.69
Sale of capital assets	-	-	26,355.01	26,355.01
Operating transfers (out)	(866,576.79)	-	(34,856.30)	(901,433.09)
<b>INCREASE IN</b>				
<b>FUND BALANCE</b>	<b>\$ 45,134.18</b>	<b>\$ 91.39</b>	<b>\$ 40,848.66</b>	<b>\$ 86,074.23</b>
Fund balance at July 1, 2014	3,153,625.72	107,950.93	754,358.51	4,015,935.16
<b>FUND BALANCE AT JUNE 30, 2015</b>	<b>\$ 3,198,759.90</b>	<b>\$ 108,042.32</b>	<b>\$ 795,207.17</b>	<b>\$ 4,102,009.39</b>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2015**

Net change in fund balance - total governmental funds	\$	86,074.23
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The change in net position reported for governmental activities  
in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$657,167.76) exceeded depreciation (\$434,471.65) for the current period.		222,696.11
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		11,894.31
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		158,010.36
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes in two balances.

Compensated absences	\$ 10,303.67	
Accrued interest on bonds	286.95	10,590.62

Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the statement of activities.		167,223.54
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<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>656,489.17</b>
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**CITY OF SPARTA, TENNESSEE**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**For the year ended June 30, 2015**

	<b>Sparta Electric System</b>	<b>Sparta Water and Sewer System</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 2,203,947.68	\$ 1,961,686.07	\$ 4,165,633.75
Accounts receivable, net of allowance (\$15,437.44)	1,068,758.20	-	1,068,758.20
Unbilled revenue	283,050.11	147,983.08	431,033.19
Due from other funds	-	343,282.80	343,282.80
Grants receivable	-	30,753.16	30,753.16
Other receivables	56,260.36	-	56,260.36
Inventories	157,668.40	103,435.84	261,104.24
Prepaid expenses and other current assets	45,510.25	44,816.98	90,327.23
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 3,815,195.00</b>	<b>\$ 2,631,957.93</b>	<b>\$ 6,447,152.93</b>
<b>NONCURRENT ASSETS:</b>			
Capital assets net of accumulated depreciation - Note E	4,486,498.45	17,950,413.90	22,436,912.35
Other receivables	133,761.45	-	133,761.45
<b>TOTAL ASSETS</b>	<b>\$ 8,435,454.90</b>	<b>\$ 20,582,371.83</b>	<b>\$ 29,017,826.73</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b> - Pension plan	<b>105,660.70</b>	<b>140,593.19</b>	<b>246,253.89</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 8,541,115.60</b>	<b>\$ 20,722,965.02</b>	<b>\$ 29,264,080.62</b>
<b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable - Trade	\$ 483,501.00	\$ 28,066.70	\$ 511,567.70
Accounts payable - Construction	-	49,080.20	49,080.20
Due to water and sewer	343,282.84	-	343,282.84
Due to other funds	28,981.97	3,475.19	32,457.16
Customer deposits	343,922.00	112,223.00	456,145.00
Tennessee sales tax payable	26,198.76	8,234.00	34,432.76
Accrued salaries and wages	21,079.88	33,152.55	54,232.43
Accrued vacation	58,603.76	60,156.96	118,760.72
Accrued interest payable	-	27,601.05	27,601.05
Other current liabilities	5,250.49	3,455.17	8,705.66
Current portion of long-term debt	-	387,789.41	387,789.41
	<b>\$ 1,310,820.70</b>	<b>\$ 713,234.23</b>	<b>\$ 2,024,054.93</b>
<b>NONCURRENT LIABILITIES - Note F</b>			
Bonds and notes payable - net of current portion	126,561.16	3,544,553.25	3,671,114.41
Net pension liability	68,088.86	92,221.15	160,310.01
<b>TOTAL LIABILITIES</b>	<b>\$ 1,505,470.72</b>	<b>\$ 4,350,008.63</b>	<b>\$ 2,184,364.94</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b> - Pension plan	<b>148,106.68</b>	<b>200,601.13</b>	<b>348,707.81</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	\$ 4,486,498.45	\$ 13,968,991.04	\$ 18,455,489.49
Unrestricted	2,401,039.75	2,203,364.22	4,604,403.97
<b>TOTAL NET POSITION</b>	<b>\$ 6,887,538.20</b>	<b>\$ 16,172,355.26</b>	<b>\$ 23,059,893.46</b>
<b>TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 8,541,115.60</b>	<b>\$ 20,722,965.02</b>	<b>\$ 29,264,080.62</b>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2015**

	<u>Sparta Electric System</u>	<u>Sparta Water and Sewer System</u>	<u>Total</u>
<b>Operating revenue:</b>			
Revenue billings	\$ 10,962,745.91	\$ 2,953,112.84	\$ 13,915,858.75
Other operating revenue	259,984.51	63,387.18	323,371.69
	<hr/>	<hr/>	<hr/>
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 11,222,730.42</b>	<b>\$ 3,016,500.02</b>	<b>\$ 14,239,230.44</b>
	<hr/>	<hr/>	<hr/>
<b>Operating expenses:</b>			
Purchased power	\$ 9,177,535.70	\$ -	\$ 9,177,535.70
Operations and maintenance	1,282,011.32	2,180,854.32	3,462,865.64
Depreciation - straight-line	276,202.27	616,625.78	892,828.05
Taxes	40,431.61	69,944.47	110,376.08
	<hr/>	<hr/>	<hr/>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 10,776,180.90</b>	<b>\$ 2,867,424.57</b>	<b>\$ 13,643,605.47</b>
	<hr/>	<hr/>	<hr/>
<b>OPERATING INCOME</b>	<b>\$ 446,549.52</b>	<b>\$ 149,075.45</b>	<b>\$ 595,624.97</b>
	<hr/>	<hr/>	<hr/>
<b>Non-operating revenue (expense):</b>			
Interest income	\$ 1,748.40	\$ 1,393.14	\$ 3,141.54
Other non-operating revenue	3,985.00	-	3,985.00
Loss on sale of capital assets	-	(200,626.71)	(200,626.71)
Miscellaneous deductions	(3,408.28)	-	(3,408.28)
Interest expense	(4,226.87)	(64,843.97)	(69,070.84)
	<hr/>	<hr/>	<hr/>
<b>NET INCOME BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>\$ 444,647.77</b>	<b>\$ (115,002.09)</b>	<b>\$ 329,645.68</b>
Operating transfers out	(105,715.68)	(31,999.92)	(137,715.60)
Grant income	-	1,235,550.05	1,235,550.05
	<hr/>	<hr/>	<hr/>
	<b>\$ 338,932.09</b>	<b>\$ 1,088,548.04</b>	<b>\$ 1,427,480.13</b>
Net position at July 1, 2014 - As restated, Note O	6,548,606.11	15,083,807.22	21,632,413.33
	<hr/>	<hr/>	<hr/>
<b>NET POSITION AT JUNE 30, 2015</b>	<b>\$ 6,887,538.20</b>	<b>\$ 16,172,355.26</b>	<b>\$ 23,059,893.46</b>
	<hr/>	<hr/>	<hr/>

Interest incurred during the year totaled \$101,773.21,  
of which \$64,843.97 was charged to expense.

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the year ended June 30, 2015

	<b>Sparta Electric System</b>	<b>Sparta Water &amp; Sewer System</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 10,770,954.40	\$ 3,329,304.96	\$ 14,100,259.36
Payments to suppliers	(10,481,320.18)	(1,078,547.27)	(11,559,867.45)
Payments to employees	(500,510.45)	(1,251,435.49)	(1,751,945.94)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (210,876.23)</b>	<b>\$ 999,322.20</b>	<b>\$ 788,445.97</b>
<b>Cash flows from noncapital financing activities -</b>			
Net decrease in energy service loan advances from TVA	\$ 426.10	\$ -	\$ 426.10
Operating transfers	(105,715.68)	(31,999.92)	(137,715.60)
Other non-operating income	3,985.00	-	3,985.00
Other non-operating expense	(3,408.28)	-	(3,408.28)
<b>NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES</b>	<b>\$ (104,712.86)</b>	<b>\$ (31,999.92)</b>	<b>\$ (136,712.78)</b>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	\$ (677,455.06)	\$ (2,335,382.42)	\$ (3,012,837.48)
Proceeds from sale of capital assets	-	5,000.00	5,000.00
Proceeds from CDBG grant	-	447,638.15	447,638.15
Proceeds from Rural Development grant	-	797,796.00	797,796.00
Proceeds from bond anticipation note	-	694,769.00	694,769.00
Principle paid on long-term debt	-	(353,632.60)	(353,632.60)
Interest and fees paid on long-term debt	-	(80,603.94)	(80,603.94)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (677,455.06)</b>	<b>\$ (824,415.81)</b>	<b>\$ (1,501,870.87)</b>
<b>Cash flows from investing activities:</b>			
Interest from investments	\$ 1,748.40	\$ 1,393.14	\$ 3,141.54
Payment on CSA loan	151.51	-	151.51
Net advances on energy service loans	(426.10)	-	(426.10)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ 1,473.81</b>	<b>\$ 1,393.14</b>	<b>\$ 2,866.95</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (991,570.34)</b>	<b>\$ 144,299.61</b>	<b>\$ (847,270.73)</b>
Cash and cash equivalents, July 1, 2014	3,195,518.02	1,817,386.46	5,012,904.48
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2015</b>	<b>\$ 2,203,947.68</b>	<b>\$ 1,961,686.07</b>	<b>\$ 4,165,633.75</b>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS**  
**For the year ended June 30, 2015**

	<u>Sparta Electric System</u>	<u>Sparta Water &amp; Sewer System</u>	<u>Totals</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 446,549.52	\$ 149,075.45	\$ 595,624.97
Adjustments to reconcile net income to net cash provided from operating activities			
Provision for depreciation	341,371.15	616,625.78	957,996.93
Decrease in net pension liability	(104,939.50)	(142,134.81)	
Increase in deferred outflows - pension expense	(105,660.70)	(140,593.19)	
Increase in deferred inflows - pension expense	148,106.68	200,601.13	
Interest paid on customer deposits	(4,226.87)	(1,392.21)	(5,619.08)
Change in current assets and current liabilities:			
(Increase) decrease in accounts receivable	(112,685.79)	-	(112,685.79)
(Increase) decrease in inventory	(19,332.33)	(7,338.09)	(26,670.42)
(Increase) decrease in due from Sparta Electric System	-	344,083.26	344,083.26
(Increase) decrease in unbilled revenue	40,061.59	1,036.32	41,097.91
(Increase) decrease in prepaid assets and other assets	4,443.21	9,997.21	14,440.42
Increase (decrease) in accounts payable	(470,576.28)	(18,020.62)	(488,596.90)
Increase (decrease) in due to other funds	(370,658.71)	(28,805.43)	(399,464.14)
Increase (decrease) in accrued payroll and vacation	1,304.49	18,178.81	19,483.30
Increase (decrease) in customer deposits	(6,490.00)	(1,900.00)	(8,390.00)
Increase (decrease) in other current liabilities	1,857.31	(91.41)	1,765.90
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (210,876.23)</u>	<u>\$ 999,322.20</u>	<u>\$ 788,445.97</u>



**CITY OF SPARTA, TENNESSEE**  
**BUDGETARY COMPARISON STATEMENT - GENERAL FUND**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary Basis) (See Note A)	Final Budget - Positive (Negative)
<b>TOTAL REVENUES</b>	\$ 3,643,189	\$ 3,654,840	\$ 4,084,414	\$ 429,574
<b>Expenditures:</b>				
General Government:				
Board of Aldermen	\$ 13,543	\$ 13,543	\$ 6,910	\$ 6,633
City Court	53,489	60,000	34,146	25,854
Mayor	25,659	25,659	10,257	15,402
Boards and Commissions	1,100	1,100	810	290
City Administrator	219,705	219,705	90,881	128,824
General elections	750	750	528	222
Financial administration	8,206	8,206	6,356	1,850
City Recorder	95,206	95,206	38,549	56,657
City Attorney	8,881	8,881	8,910	(29)
Personnel administration	2,000	2,000	1,064	936
Engineering - GIS	75,798	75,798	8,117	67,681
Planning and zoning	16,000	16,000	16,000	-
City Hall building	41,949	41,949	37,528	4,421
Industrial Parks	600	600	591	9
Retail Coach		30,000	26,173	3,827
Other general government	216,116	216,116	205,261	10,855
Public Safety:				
Police	897,793	910,000	916,055	(6,055)
Traffic control	2,500	2,500	1,467	1,033
Emergency communication services	69,954	69,954	69,954	-
Fire	427,358	427,358	405,415	21,943
Inspection	65,932	65,932	55,816	10,116
Rescue Squad	3,300	3,300	3,300	-
Public Works:				
Administrative	106,315	107,959	46,332	61,627
Highways and streets	695,292	695,292	653,011	42,281
Mosquito control	1,500	2,500	2,284	216
Animal control	38,981	38,981	36,094	2,887
Direct assistance	134,025	134,025	114,148	19,877

**CITY OF SPARTA, TENNESSEE**  
**BUDGETARY COMPARISON STATEMENT - GENERAL FUND (Cont'd)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Leisure and culture:				
Civic Center	26,708	26,708	22,375	4,333
Oldham's Theater	11,275	11,275	5,153	6,122
Little league and Babe Ruth ballparks	9,500	11,000	12,021	(1,021)
Swimming Pool	57,376	143,265	132,145	11,120
Sock hop	3,000	3,000	2,213	787
Amphitheater concerts	7,050	7,050	5,637	1,413
Parks	45,450	45,450	38,749	6,701
Riverwalk Bridge	-	2,000	1,980	20
Airport	28,000	28,000	28,000	-
Economic development	4,500	4,500	732	3,768
Insurance, employers share	302,724	302,724	258,882	43,842
Debt Service:				
Principal	3,643	3,643	3,643	-
Interest	2,931	2,931	2,931	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,724,109</b>	<b>\$ 3,864,860</b>	<b>\$ 3,310,418</b>	<b>\$ 554,442</b>
<b>REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES</b>	<b>\$ (80,920)</b>	<b>\$ (210,020)</b>	<b>\$ 773,996</b>	<b>\$ 984,016</b>
Other financing sources (uses):				
Operating transfers in:				
Electric System	105,716	105,716	105,716	-
Water and Sewer System	32,000	32,000	32,000	-
Other funds	362,746	362,746	-	(362,746)
Operating transfers out:				
Debt Service	(160,846)	(160,846)	(150,615)	10,231
Sanitation	(73,749)	(73,749)	(208,749)	
Liberty Square fund	(15,000)	(15,000)	(15,000)	-
Other funds	(307,500)	(564,000)	(492,213)	71,787
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER</b>				
<b>FINANCING SOURCES (USES)</b>	<b>\$ (137,553)</b>	<b>\$ (523,153)</b>	<b>\$ 45,134</b>	<b>\$ 703,288</b>
Fund balance at July 1, 2014	3,153,626	3,153,626	3,153,626	-
<b>FUND BALANCE AT JUNE 30, 2015</b>	<b>\$ 3,016,072</b>	<b>\$ 2,630,473</b>	<b>\$ 3,198,760</b>	<b>\$ 703,288</b>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**1. INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Sparta, Tennessee (City), are disclosed in subsequent sections of this note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2015.

**2. REPORTING ENTITY**

The identification of a financial reporting entity is built around the concept of financial accountability. That is, if a primary government is financially accountable for another entity, that entity's financial statements must be included in the financial statements of the reporting entity. While financial accountability is central to the identification of component units, even if it does not exist, an entity will be considered a component unit if that entity's relationship with the primary government is such that its exclusion would create misleading or incomplete financial statements.

Based upon this concept, the City of Sparta has no component units.

**3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Government-wide Financial Statements**

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE A (Cont'd):**

**3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Cont'd)**

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program users. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

**Fund Financial Statements**

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

**4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND  
FINANCIAL STATEMENT PRESENTATION**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE A (Cont'd):**

**4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND  
FINANCIAL STATEMENT PRESENTATION (Cont'd)**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated on these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services which are billed monthly. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE A (Cont'd):**

**4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Cont'd)**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note D for information describing restricted assets.

**5. FUND TYPES AND MAJOR FUNDS**

The accounts of the City are organized in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

**GOVERNMENTAL FUNDS**

The City reports the following major governmental funds:

**General Fund** – The general fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

The other governmental funds of the City are as follows:

**Special Revenue Funds** – The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

**Capital Projects Fund** - The capital project fund is used to account for the construction and acquisition of major capital facilities, primarily infrastructure assets such as streets and sidewalks.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE A (Cont'd):**

**5. FUND TYPES AND MAJOR FUNDS (Cont'd)**

**PROPRIETARY FUNDS**

The City reports the following major enterprise funds:

**Sparta Electric System** – accounts for the operating activities of the City's electric utilities services.

**Sparta Water and Sewer System** – accounts for the operating activities of the City's water supply system and of its sewage treatment plant, pumping stations, and collection system.

**6. FUND BALANCES**

**Non-spendable Fund Balance** – Fund balances reported as non-spendable in the accompanying financial statements represent amounts for inventory, prepaid expenditures, encumbrances, advances to other funds and noncurrent notes receivables.

**Restricted Fund Balance** – Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by state statutes, creditors, bond covenants, donors or grantors.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Committed Fund Balance** – Fund balances reported as committed are self-imposed restrictions placed upon certain resources by the Board of Mayor and Aldermen. Formal action, a resolution, must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

**Assigned Fund Balance** – Fund balances reported as assigned are intended for certain purposes as approved by Board of Mayor and Aldermen or management.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE A (Cont'd):**

**6. FUND BALANCES (cont'd)**

**Unassigned Fund Balance** – In accordance with GAAP, the general fund is the only governmental fund that reports an unassigned fund balance. The unassigned fund balance has not been restricted, committed, or assigned to a specific purpose within the general fund.

When committed, assigned or unassigned fund balance amounts are available for use, it is the City's policy to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance as they are needed.

**7. CAPITAL ASSETS AND DEPRECIATION**

The City's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost, or estimated cost if actual cost is not available, and comprehensively reported in the government-wide financial statements. Capital assets are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Cost consists of all direct costs related to the construction or acquisition of the assets. Donated capital assets are valued at their estimated fair value on the date donated. In addition, the City capitalizes interest costs related to qualified expenditures for projects under construction.

Maintenance and repairs, which do not significantly extend the value or life of the property, plant, and equipment, are expensed as incurred.

Capital policy for the City is items purchased or betterment, not repairs, in excess of \$2,500.00 and having a useful life of one year or more will be capitalized.

General infrastructure assets acquired prior to July 1, 2004, are not reported in the basic financial statements.



**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE A (Cont'd):**

**7. CAPITAL ASSETS AND DEPRECIATION (Cont'd)**

Capital assets are depreciated using the straight-line method over the following estimated lives:

	<u><b>Years</b></u>
Buildings	39
Improvements, other than buildings	20-39
Equipment	5-12
Streets and sidewalks	50

Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund statements of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u><b>Years</b></u>
Buildings	15-40
Improvements, other than buildings	10-40
Equipment	3-10

**8. BUDGETS AND BUDGETARY ACCOUNTING**

Prior to July 1, the budget is legally enacted through passage of a resolution. Each fund's budget is prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the resolution. The City Administrator is authorized to transfer line item amounts within any department; however, any revisions that alter the total expenditures to exceed the original budgeted amount must be approved by the Board of Mayor and Aldermen. All appropriations lapse at the end of each year.

The City's budgetary basis of accounting is consistent with generally accepted accounting principles.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE A (Cont'd):**

**9. CASH EQUIVALENTS**

For purpose of the statement of cash flows, all highly liquid investments with a maturity with a maturity date of three months or less when purchased are considered to be cash equivalents.

**10. INVENTORIES**

Sparta Electric System inventories are valued at average cost accumulated in perpetual inventory records which are periodically adjusted to physical counts.

Sparta Water and Sewer System inventories are priced at cost based on the first-in, first-out method.

**11. CREDIT RISK**

The City of Sparta provides water, sewer, electrical power and governmental type services for residential, commercial and industrial customers and citizens in the City of Sparta, Tennessee.

**12. COMPENSATED ABSENCES**

The City allows employees to accumulate unused sick leave. An employee terminated from service is not paid accumulated sick leave; therefore, sick leave has not been accrued because the amount cannot be reasonably estimated. Earned vacation time can be accrued up to certain maximums based upon years of service. Compensated absences are reported as accrued in the government-wide and proprietary financial statements.

**13. USES OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Accordingly, actual results could differ from those estimates.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE A (Cont'd):**

**14. CONTRIBUTIONS**

Contributions are recognized in the Statement of Revenues, Expenditures, and Changes in Net Position when earned. Contributions include developer contributed utility systems and federal, state and local grants in support of system improvements.

**15. NET POSITION**

Net position contains the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified as net investment in capital assets; restricted for capital activity and debt service; and unrestricted position. Net investment in capital asset is all capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of the assets; debt related to unspent proceeds or other restricted cash and investments is not included in this determination.

Restricted for capital activity and debt service includes net position restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted is the net position that do not meet the definition of net investment in capital assets or restricted for capital activity and debt service.

**16. PROVISION FOR UNCOLLECTIBLE ACCOUNTS**

Management has made an allowance for uncollectible accounts receivable. The allowance is based on prior years' experience.

**17. NET POSITION FLOW ASSUMPTION**

Sometimes the system will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE A (Cont'd):**

**18. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

For the year ended June 30, 2015, the City's governmental funds report unavailable revenue from property taxes. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City also reports deferred outflows and deferred inflows from pensions.

**19. PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Sparta's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Sparta's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**20. IMPLEMENTATION OF GASB STATEMENT NO. 68**

During the year ended June 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27.* The requirements for this new standard are more fully explained in Notes J and O.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE B - PROPERTY TAXES**

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1, and are payable before March 1. The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables.

**NOTE C – BANK DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial risk is as follows:

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the City.

The bank balance at June 30, 2015 totaled \$8,849,805.59.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE D – RESTRICTED ASSETS**

Certain proprietary fund assets are restricted for construction funded through long-term debt and federal grant revenues. Net position restricted for debt service includes the excess of assets over certain liabilities restricted for the debt service on bonds. Governmental funds report restricted assets for cash deposited in bank accounts legally restricted for specified uses such as the payment of debt service on long-term debt.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE E- CHANGES IN CAPITAL ASSETS**

	Balance at July 1	Additions	Reductions	Balance at June 30
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 701,236.00	\$ -	\$ -	\$ 701,236.00
Construction in progress	5,000.00	25,576.02	-	30,576.02
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>\$ 706,236.00</b>	<b>\$ 25,576.02</b>	<b>\$ -</b>	<b>\$ 731,812.02</b>
Capital Assets Being Depreciated:				
Buildings	\$ 3,260,170.15	\$ -	\$ -	\$ 3,260,170.15
Improvements, other than buildings	4,044,638.47	20,282.02	-	4,064,920.49
Infrastructure	1,088,677.75	275,445.13	-	1,364,122.88
Equipment	4,236,921.86	335,864.59	390,446.83	4,182,339.62
<b>Total capital assets being depreciated</b>	<b>\$ 12,630,408.23</b>	<b>\$ 631,591.74</b>	<b>\$ 390,446.83</b>	<b>\$ 12,871,553.14</b>
Less Accumulated Depreciation for:				
Buildings	\$ (1,493,524.05)	\$ (77,392.32)	\$ -	\$ (1,570,916.37)
Improvements, other than buildings	(1,856,249.88)	(86,410.15)	-	(1,942,660.03)
Infrastructure	(134,494.35)	(22,786.65)	-	(157,281.00)
Equipment	(2,928,689.88)	(247,882.53)	(390,446.83)	(2,786,125.58)
<b>Total accumulated depreciation</b>	<b>\$ (6,412,958.16)</b>	<b>\$ (434,471.65)</b>	<b>\$ (390,446.83)</b>	<b>\$ (6,456,982.98)</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 6,217,450.07</b>	<b>\$ 197,120.09</b>	<b>\$ -</b>	<b>\$ 6,414,570.16</b>
<b>Governmental activities : capital assets, net</b>	<b>\$ 6,923,686.07</b>	<b>\$ 222,696.11</b>	<b>\$ -</b>	<b>\$ 7,146,382.18</b>
<b>Business-type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 268,839.31	\$ -	\$ 3,427.20	\$ 265,412.11
Construction in progress	1,182,656.85	1,812,870.16	2,949,295.01	46,232.00
<b>Total capital assets not being depreciated</b>	<b>\$ 1,451,496.16</b>	<b>\$ 1,812,870.16</b>	<b>\$ 2,952,722.21</b>	<b>\$ 311,644.11</b>
Capital Assets Being Depreciated:				
Structures and improvements	\$ 6,249,850.68	\$ 29,799.00	\$ 564,081.21	\$ 5,715,568.47
Transportation equipment	1,767,554.76	342,504.85	65,097.00	2,044,962.61
Plant and improvements	29,604,665.25	3,537,320.43	1,058,032.78	32,083,952.90
Furniture and equipment	329,822.69	-	-	329,822.69
Machinery and equipment	464,616.77	33,128.44	-	497,745.21
<b>Total capital assets being depreciated</b>	<b>\$ 38,416,510.15</b>	<b>\$ 3,942,752.72</b>	<b>\$ 1,687,210.99</b>	<b>\$ 40,672,051.88</b>
Less Accumulated Depreciation for:				
Structures and improvements	\$ (3,477,081.15)	\$ (126,724.02)	\$ (564,080.91)	\$ (3,039,724.26)
Transportation equipment	(1,521,880.65)	(100,868.69)	(54,155.67)	(1,568,593.67)
Plant and improvements	(13,485,500.23)	(702,195.10)	(913,906.32)	(13,273,789.01)
Furniture and equipment	(280,579.10)	(10,491.34)	-	(291,070.44)
Machinery and equipment	(355,888.51)	(17,717.75)	-	(373,606.26)
<b>Total accumulated depreciation</b>	<b>\$ (19,120,929.64)</b>	<b>\$ (957,996.90)</b>	<b>\$ (1,532,142.90)</b>	<b>\$ (18,546,783.64)</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 19,295,580.51</b>	<b>\$ 2,984,755.82</b>	<b>\$ 155,068.09</b>	<b>\$ 22,125,268.24</b>
<b>Business-type activities : capital assets, net</b>	<b>\$ 20,747,076.67</b>	<b>\$ 4,797,625.98</b>	<b>\$ 3,107,790.30</b>	<b>\$ 22,436,912.35</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$ 27,670,762.74</b>	<b>\$ 5,020,322.09</b>	<b>\$ 3,107,790.30</b>	<b>\$ 29,583,294.53</b>

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE E (Cont'd):**

**Depreciation Expense**

Depreciation expense was charged to functions of the City as follows:

<i>Governmental activities</i>		<i>Business-type activities</i>	
General government	\$ 25,249.38	Electric	\$ 341,371.15
Public safety	146,011.90	Water and sewer	616,625.75
Highways and streets	89,612.35		
Culture and recreation	129,649.87		
Sanitation	43,948.15		

**CONSTRUCTION IN PROGRESS**

Construction in progress at June 30, 2015 consisted of:

	<u>Actual to date</u>	<u>Remaining Commitment</u>
Governmental activities:		
West Bockman Way Sidewalk Improvements	\$ 28,596.02	\$ 976,403.98
Sparta River Bridge	1,980.00	218,020.00
	<u>\$ 30,576.02</u>	<u>\$ 1,194,423.98</u>
The sidewalk improvements will be funded by a state grant, with a 5% local match.		
The River Bridge project will be funded by a federal grant, with a \$44,000 local match.		
Business-type activities:		
2010 Sewer System Project	<u>\$ 46,232.00</u>	<u>\$ 500,268.00</u>



**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE F- LONG-TERM DEBT**

Bonds are issued to provide funds for the acquisition and construction of capital assets.

Changes in long-term indebtedness of City of Sparta consists of:

	<u>Amount at July 1</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Amount at June 30</u>	<u>Current Portion</u>
TML Bond Pool Note, 2008	\$ 36,286.54	\$ -	\$ 10,693.19	\$ 25,593.35	\$ 11,075.10
General Obligation Bonds, 2001	62,563.07	-	3,642.96	58,920.11	3,723.45
General Obligation Refunding Bonds, Series 2012A	<u>1,252,738.20</u>	<u>-</u>	<u>143,674.20</u>	<u>1,109,064.00</u>	<u>147,035.00</u>
<b>TOTAL</b>	<b>\$ 1,351,587.81</b>	<b>\$ -</b>	<b>\$ 158,010.35</b>	<b>\$ 1,193,577.46</b>	<b>\$161,833.55</b>
					-
Accrued vacation payable				<u>146,437.45</u>	<u>146,437.45</u>
				<u><u>\$ 1,340,014.91</u></u>	<u><u>\$ 308,271.00</u></u>

General long-term debt is liquidated by resources in the General and the Solid Waste funds.

Changes in long-term indebtedness of the enterprise funds consists of:

	<u>Amount at July 1</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Amount at June 30</u>	<u>Current Portion</u>
TML Bond Pool Note, 2008	248,713.46	-	73,306.80	175,406.66	75,924.90
General Obligation Refunding Bonds, Series 2012A	1,729,261.80	-	198,325.80	1,530,936.00	202,965.00
General Obligation Note, Series 2012B	718,000.00		82,000.00	636,000.00	84,000.00
Water and Sewer Revenue and Tax Bonds, Series 2011	<u>-</u>	<u>1,590,000.00</u>	<u>-</u>	<u>1,590,000.00</u>	<u>24,899.51</u>
<b>TOTAL NOTES AND BONDS</b>	<b>\$ 2,695,975.26</b>	<b>\$ 1,590,000.00</b>	<b>\$ 353,632.60</b>	<b>\$ 3,932,342.66</b>	<b>\$ 387,789.41</b>
Bond anticipation notes	<u>895,231.00</u>	<u>694,769.00</u>	<u>1,590,000.00</u>	<u>-</u>	
<b>TOTAL</b>	<b>\$ 3,591,206.26</b>	<b>\$ 2,284,769.00</b>	<b>\$ 1,943,632.60</b>	<b>\$ 3,932,342.66</b>	
Advances from TVA for home weatherization loans				<u>126,561.16</u>	<u>126,561.16</u>
				<u><u>\$ 4,058,903.82</u></u>	<u><u>\$ 514,350.57</u></u>

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE F (Cont'd):**

**Additional debt disclosure:**

At June 30, 2015, long-term indebtedness of City of Sparta consists of:

	<u><b>Amount Issued</b></u>	<u><b>Amount Outstanding</b></u>	<u><b>Interest Rate</b></u>
General Obligation Bonds, 2001 (matures in 2027)	95,000.00	58,920.11	4.75%
Tennessee Municipal Bond Fund (matures in 2029)	116,400.00	25,593.35	varies
General Obligation Refunding Bonds, Series 2012A (matures 2022)	1,529,164.00	<u>1,109,064.00</u>	2.43%
<b>TOTAL NOTES PAYABLE AND BONDS</b>		\$ 1,193,577.46	
	Accrued vacation	<u>146,437.45</u>	
		<u><u>\$ 1,340,014.91</u></u>	

At June 30, 2015, long-term indebtedness of the enterprise funds consists of:

	<u><b>Amount Issued</b></u>	<u><b>Amount Outstanding</b></u>	<u><b>Interest Rate</b></u>
General Obligation Refunding Bonds, Series 2012A (matures 2022)	\$ 2,110,836.00	\$ 1,530,936.00	2.43%
General Obligation Notes, Series 2012B (matures 2017)	876,000.00	636,000.00	2.43%
TML Bond Pool Note, 2008 (matures 2029)	1,883,600.00	175,406.66	varies
Water and Sewer Revenue and Tax Bonds, Series 2011 (matures 2052)	1,590,000.00	<u>1,590,000.00</u>	2.625%
<b>TOTAL NOTES AND BONDS PAYABLE</b>		\$ 3,932,342.66	
	Advances from TVA for home weatherization loans	<u>126,561.16</u>	
		<u><u>\$ 4,058,903.82</u></u>	

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE F (Cont'd):**

**Debt service requirements to maturity:**

A summary of the City of Sparta debt service requirements for principal and interest at June 30, 2015, is as follows:

<u>Year ending</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	161,833.55	30,302.42	192,135.97
2017	166,220.56	26,288.18	192,508.74
2018	161,793.22	22,211.29	184,004.51
2019	162,709.30	18,198.18	180,907.48
2020	166,695.95	14,143.85	180,839.80
2021-2025	362,211.77	19,039.38	381,251.15
2026-2027	12,113.11	1,034.89	13,148.00
<b>TOTAL</b>	<b>\$ 1,193,577.46</b>	<b>\$ 131,218.19</b>	<b>\$ 1,324,795.65</b>

The \$175,406.66 was the portion owed by Sparta Water and Sewer System on the \$2.0 million TML bond pool note. The note is owed jointly with the City of Sparta, and the Water and Sewer system drew 87.27% of the total proceeds. During the year ended June 30, 2011, the City closed the loan without drawing down the entire amount.

The \$1,530,936.00 was the portion drawn by Sparta Water and Sewer System on the \$3.64 million General Obligation Refunding Bonds, Series 2012A. The bonds are owed jointly with the City of Sparta, and the Water and Sewer System drew 57.99% of the total proceeds. This money was borrowed on January 25, 2013 to refinance the 2006 and 2008 TML bond pool notes.

The \$636,000.00 is the balance of the \$876,000.00 General Obligation Note, Series 2012B, issued by Sparta Water and Sewer System for the purpose of refurbishing the water tanks.

On October 6, 2011, the City authorized the issuance of "Water and Sewer Revenue and Tax Bond Anticipation Notes, Series 2011" in anticipation of the proceeds of a \$1,590,000 "Water and Sewer Revenue and Tax Bond, Series 2011". The Bond is issued to finance the construction of sewer system improvements and bears interest at the rate of 2.625%. The bonds were issued in December, 2014. The unpaid balance as of June 30, 2015 was \$1,590,000.00.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE F (Cont'd):**

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

A schedule showing maturities and debt-service requirements of Sparta Water and Sewer System's outstanding bonds and interest bearing notes is included in the supplementary information section of this report.

Amounts required to amortize long-term debt outstanding as of June 30, 2015:

<u>Year ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 387,789.41	\$ 97,832.00	\$ 485,621.41
2017	398,280.21	88,717.04	486,997.25
2018	349,565.83	79,358.15	428,923.98
2019	336,534.56	70,910.96	407,445.52
2020	344,460.12	62,680.68	407,140.80
2021-2025	806,276.58	207,880.07	1,014,156.65
2026-2030	170,016.12	163,168.88	333,185.00
2031-2035	193,533.44	139,651.56	333,185.00
2036-2040	220,303.75	112,881.25	333,185.00
2041-2045	250,777.02	82,407.98	333,185.00
2046-2050	285,465.43	47,719.57	333,185.00
2051-2053	189,340.19	10,011.77	199,351.96
<b>TOTAL</b>	<b>\$ 3,932,342.66</b>	<b>\$ 1,163,219.91</b>	<b>\$ 5,095,562.57</b>

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**Note G – JOINT VENTURE**

The Upper Cumberland Regional Airport was established as a joint venture between Putnam County, White County, the City of Cookeville and the City of Sparta. The Upper Cumberland Regional Airport operates the regional airport for the two county area. The seven-member board of the Airport is composed of one member appointed by each participating government; chief executive officer of one of the participating governments in each county on a two year rotating basis; and a representative from the pilot's committee who is selected by the pilot's committee, subject to the approval of the other members of the board. Each participant retains a 25% ownership in the Airport; however, they do not retain an equity interest in the Airport. During the year ended June 30, 2015, the City appropriated an operating subsidy of \$28,000.00 to the Airport. Complete financial statements for the Upper Cumberland Regional Airport can be obtained from the Upper Cumberland Regional Airport's administrative office at 750 Airport Road, Sparta, Tennessee 38583, or from the City Administrator's office at the Sparta City Hall.

**Note H - JOINTLY GOVERNED ORGANIZATION**

The City and the White County Board of Commissioners participate in The White County 911 Emergency Communications District, a component unit of White County, Tennessee (County). Any short fall between the District's budgeted revenues and operating expenses are subsidized by the City and County, 25% and 75%, respectively. The Board of Directors of the District is appointed by the City and County in the same proportion as each entity contributes to the funding of the District. During the year ended June 30, 2015, the City contributed \$64,954.00 to the operations of the District.

**Note I – RELATED ORGANIZATION**

Sparta Housing Authority – The Board of the Sparta Housing Authority is appointed by the Mayor and Board of Aldermen, but the City provides no funding and has no means to impose will upon the operations of the Authority.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE J - GENERAL INFORMATION ABOUT THE PENSION PLAN**

**Plan Description.** Employees of Sparta are provided a defined benefit plan through the Public Employee Retirement Plan, an agent multi-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**Benefits provided.** Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE J - (Cont'd):**

***Employees covered by benefit terms.*** At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	31
Active employees	<u>79</u>
	<u><u>167</u></u>

***Contributions.*** Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Sparta makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Sparta were \$364,757.94 based on a rate of 11.27 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Sparta's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability**

Sparta's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions.*** The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5 percent

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE J - (Cont'd):**

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25 year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	6.46%	33.00%
Developed market international equity	6.26%	17.00%
Emerging market international equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.



**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE J - (Cont'd):**

**Discount rate.** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Sparta will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balance at 06/30/13</b>	\$ 12,287,644	\$ 10,978,505	\$ 1,309,139
<b>Changes for the year:</b>			
Service cost	\$ 284,379	\$ -	\$ 284,379
Interest	917,743	-	917,743
Differences between expected and actual experience	207,860	-	207,860
Contributions - employer	-	382,840	(382,840)
Contributions - employees	-	165,559	(165,559)
Net investment income	-	1,809,764	(1,809,764)
Benefit payments, including refunds of employee contributions	(670,898)	(670,898)	-
Administrative expense	-	(3,539)	3,539
<b>Net changes</b>	<u>739,084</u>	<u>1,683,726</u>	<u>(944,642)</u>
<b>Balance at 06/30/14</b>	\$ 13,026,728	\$ 12,662,231	\$ 364,497

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE J - (Cont'd):**

***Sensitivity of the net pension liability(asset) to changes in the discount rate.***

The following presents the net pension liability (asset) of Sparta calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Sparta's net pension liability (asset)	\$ 2,044,204	\$ 364,497	\$ (1,032,842)

**Pension Expense (Income) and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions**

***Pension expense.*** For the year ended June 30, 2015, Sparta recognized pension expense of \$52,914.

***Deferred outflows of resources and deferred inflows of resources.*** For the year ended June 30, 2015, Sparta reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 178,166	\$ -
Net difference between projected and actual earnings on pension plan investments	-	792,882
Contributions subsequent to the measurement date of June 30, 2014	<u>364,758</u>	<u>(not applicable)</u>
Total	<u><u>\$ 542,924</u></u>	<u><u>\$ 792,882</u></u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE J - (Cont'd):**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2016	\$ (168,527)
2017	(168,527)
2018	(168,527)
2019	(168,527)
2020	29,694
Thereafter	29,694

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Payable to the Pension Plan**

At June 30, 2015, System reported no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

**NOTE K - LITIGATION**

There were no lawsuits pending in which the City is involved, which could result in any liability to the City.

**NOTE L- RISK FINANCING ACTIVITIES**

The City's risks of loss relating to general liability, property and casualty and workers' compensation are covered by participation in a public entity risk pool. The City joined the Tennessee Municipal League Risk Management Pool, which is a public entity risk pool established by the Tennessee Municipal League, an association of member municipalities. The City pays an annual premium to the TML Pool for its insurance coverage. The creation of the TML Pool provides for it to be self-sustaining through member premiums.

The City continues to carry commercial insurance for surety bond coverage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE M - SCHEDULE OF INTERFUND RECEIVABLES AND PAYABLES**

**Due from:**

	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Solid Waste</b>	<b>State Street Aid</b>	<b>Total</b>
<b><u>Due to:</u></b>					
General	\$ 338.97	\$ 3,475.19	\$ 36,128.33	\$ -	\$ 39,942.49
Solid Waste	28,643.00	-	-	-	28,643.00
Water & Sewer	343,282.84	-	-	-	343,282.84
	<u>\$ 372,264.81</u>	<u>\$ 3,475.19</u>	<u>\$ 36,128.33</u>	<u>\$ -</u>	<u>\$ 411,868.33</u>

Interfund receivables and payables are the result of transactions, including the receipt of grant money, purchase or construction of capital assets, collection of customer payments, and payment of trade accounts payable, which are paid for or received in one fund on behalf of a different fund.

**NOTE N – INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2015, were as follows:

**Transfer from:**

	<b>General</b>	<b>Electric</b>	<b>Water &amp; Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
<b><u>Transfer to:</u></b>					
General	\$ -	\$ 105,715.68	\$ 31,999.92	\$ -	\$ 137,715.60
Liberty Square	15,000.00	-	-	-	15,000.00
Drug	349.50	-	-	-	349.50
Equipment	172,665.94	-	-	-	172,665.94
Solid Waste	208,749.00	-	-	-	208,749.00
Capital Project	319,197.16	-	-	-	319,197.16
Debt Service	150,615.19	-	-	34,856.30	185,471.49
<b>TOTAL</b>	<u>\$ 866,576.79</u>	<u>\$ 105,715.68</u>	<u>\$ 31,999.92</u>	<u>\$ 34,856.30</u>	<u>\$ 1,039,148.69</u>

Transfers between funds are made for payments in lieu of tax from the proprietary funds and to move unrestricted general fund revenues to finance programs that the City accounts for in other funds, such as equipment purchases and solid waste expenditures.

**CITY OF SPARTA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2015**

**NOTE O – RESTATEMENT OF NET POSITION**

GASB Statement 68 requires net pension liabilities to be recorded on the Statement of Net Position. During the year of implementation, beginning net position on the Statement of Activities is restated as follows:

Original net position, June 30, 2014	\$ 9,515,861.93
June 30, 2014 net pension liability	<u>(518,914.67)</u>
Restated net position	<u><u>\$ 8,996,947.26</u></u>

Beginning net position for the proprietary funds is adjusted on each individual fund's Statement of Revenues, Expenses and Changes in Net Position as follows:

	<u><b>Sparta Electric System</b></u>	<u><b>Sparta Water and Sewer System</b></u>
Original net position, June 30, 2014	\$ 6,721,634.47	\$ 15,318,163.18
June 30, 2014 net pension liability	<u>(173,028.36)</u>	<u>(234,355.96)</u>
Restated net position	<u><u>\$ 6,548,606.11</u></u>	<u><u>\$ 15,083,807.22</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Schedules of Changes in Sparta's Net Pension Liability (Asset)  
and Related Ratios Based on Participation in the  
Public Employee Pension Plan of TCRS  
Last Fiscal Year ending June 30**

	<b>2014</b>
<b>Total pension liability</b>	
Service cost	\$ 284,379
Interest	917,743
Changes in benefit terms	-
Differences between actual & expected experience	207,860
Change of assumptions	-
Benefit payments including refunds of employee contributions	(670,898)
<b>Net change in total pension liability</b>	<b>\$ 739,084</b>
<b>Total pension liability - beginning</b>	<b>12,287,644</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 13,026,728</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 382,840
Contributions - employee	165,559
Net investment income	1,809,764
Benefit payments, including refunds of employee contributions	(670,898)
Administrative expense	(3,539)
<b>Net change in plan fiduciary net position</b>	<b>\$ 1,683,726</b>
<b>Plan fiduciary net position - beginning</b>	<b>10,978,505</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 12,662,231</b>
 <b>Net Pension Liability (asset) - ending (a) - (b)</b>	 <b>\$ 364,497</b>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	 <b>97.20%</b>
 <b>Covered-employee payroll</b>	 <b>\$ 3,306,048</b>
 <b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	 <b>11.03%</b>

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.  
Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Schedule of Sparta's Contributions**  
**Based on Participation in the Public Employee Pension Plan of TCRS**  
Last Fiscal Year ending June 30

	<u><b>2014</b></u>	<u><b>2015</b></u>
Actuarially determined contribution	\$ 382,840	\$ 364,758
Contributions in relation to the actuarially determined contribution	<u>382,840</u>	<u>364,758</u>
Contribution deficiency (excess)	-	-
 Covered-employee payroll	 \$ 3,306,048	 \$ 3,236,539
Contributions as a percentage covered-employee payroll	11.58%	11.27%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively for more than 10 years. Additional years will be added to this schedule in future fiscal years until 10 years of information is available.



## Notes to Schedule

**Valuation date :** Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

***Methods and assumptions used to determine contribution rates:***

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	5 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

## **SUPPLEMENTARY INFORMATION**

**CITY OF SPARTA, TENNESSEE**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<b>State Street Aid Fund</b>	<b>Solid Waste Fund</b>	<b>Equipment Fund</b>	<b>Drug Fund</b>	<b>THDA HOME Fund</b>	<b>Liberty Square Fund</b>	<b>Industrial Development Fund</b>	<b>Total Special Revenue</b>
<b><u>ASSETS</u></b>								
Cash	\$ 19,736.55	\$ 40,937.11	\$ 34,687.34	\$ 29,325.07	\$ 18.91	\$ 7,183.77	\$ 622,509.00	\$ 754,397.75
Due from other governments	24,533.97	-	-	-	-	-	-	24,533.97
Due from other funds	-	28,643.00	-	-	-	-	-	28,643.00
Notes receivable	-	-	-	-	-	-	23,831.01	23,831.01
	<u>\$ 44,270.52</u>	<u>\$ 69,580.11</u>	<u>\$ 34,687.34</u>	<u>\$ 29,325.07</u>	<u>\$ 18.91</u>	<u>\$ 7,183.77</u>	<u>\$ 646,340.01</u>	<u>\$ 831,405.73</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>								
Liabilities:								
Accounts payable	\$ -	\$ 70.23	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70.23
Due to other funds	-	36,128.33	-	-	-	-	-	36,128.33
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 36,198.56</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 36,198.56</b>
Fund balance:								
Restricted	\$ 44,270.52	\$ -	\$ -	\$ 29,325.07	\$ -	\$ -	\$ -	\$ 73,595.59
Committed	-	33,381.55	-	-	-	-	646,340.01	679,721.56
Assigned	-	-	34,687.34	-	18.91	7,183.77	-	41,890.02
<b>TOTAL FUND EQUITY</b>	<u><b>\$ 44,270.52</b></u>	<u><b>\$ 33,381.55</b></u>	<u><b>\$ 34,687.34</b></u>	<u><b>\$ 29,325.07</b></u>	<u><b>\$ 18.91</b></u>	<u><b>\$ 7,183.77</b></u>	<u><b>\$ 646,340.01</b></u>	<u><b>\$ 795,207.17</b></u>
	<u><u>\$ 44,270.52</u></u>	<u><u>\$ 69,580.11</u></u>	<u><u>\$ 34,687.34</u></u>	<u><u>\$ 29,325.07</u></u>	<u><u>\$ 18.91</u></u>	<u><u>\$ 7,183.77</u></u>	<u><u>\$ 646,340.01</u></u>	<u><u>\$ 831,405.73</u></u>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year ended June 30, 2015**

	<b>SPECIAL REVENUE FUNDS</b>									
	<b>State Street Aid Fund</b>	<b>Solid Waste Fund</b>	<b>Equipment Fund</b>	<b>Drug Fund</b>	<b>THDA HOME Fund</b>	<b>Liberty Square Fund</b>	<b>Industrial Development Fund</b>	<b>Total Special Revenue</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Funds</b>
<b>Revenues:</b>										
Intergovernmental revenues	\$ 133,883.61	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,883.61	\$ -	\$ 133,883.61
Interest income	15.16	-	2.02	17.87	-	-	957.90	992.95	-	992.95
Services	-	346,138.00	-	-	-	-	-	346,138.00	-	346,138.00
Fines and costs	-	232.00	-	3,671.00	-	-	-	3,903.00	-	3,903.00
Contributions	-	-	-	127.81	-	21,423.00	-	21,550.81	-	21,550.81
<b>TOTAL REVENUES</b>	<b>\$ 133,898.77</b>	<b>\$ 346,370.00</b>	<b>\$ 2.02</b>	<b>\$ 3,816.68</b>	<b>\$ -</b>	<b>\$ 21,423.00</b>	<b>\$ 957.90</b>	<b>\$ 506,468.37</b>	<b>\$ -</b>	<b>\$ 506,468.37</b>
<b>Expenditures:</b>										
General purpose machinery	\$ -	\$ -	\$ 180,184.94	\$ -	\$ -	\$ -	\$ -	\$ 180,184.94	\$ -	\$ 180,184.94
Street lights	134,628.71	-	-	-	-	-	-	134,628.71	-	134,628.71
Economic development and assistance	-	-	-	-	-	-	10,080.00	10,080.00	-	10,080.00
Salaries and related benefits	-	271,861.72	-	-	-	-	-	271,861.72	-	271,861.72
Utilities	-	4,782.26	-	-	-	-	-	4,782.26	-	4,782.26
Repairs and maintenance	-	75,323.91	-	-	-	-	-	75,323.91	-	75,323.91
Special investigative funds	-	-	-	10,036.00	-	-	-	10,036.00	-	10,036.00
Public works	-	-	-	-	-	-	-	-	319,197.16	319,197.16
Public relations	-	-	-	-	-	31,613.19	-	31,613.19	-	31,613.19
Equipment additions	-	123,506.00	-	-	-	-	-	123,506.00	-	123,506.00
Miscellaneous	-	11,866.13	-	-	-	-	-	11,866.13	-	11,866.13
<b>TOTAL EXPENDITURES</b>	<b>\$ 134,628.71</b>	<b>\$ 487,340.02</b>	<b>\$ 180,184.94</b>	<b>\$ 10,036.00</b>	<b>\$ -</b>	<b>\$ 31,613.19</b>	<b>\$ 10,080.00</b>	<b>\$ 853,882.86</b>	<b>\$ 319,197.16</b>	<b>\$ 1,173,080.02</b>
<b>EXCESS (DEFICIENCY) OF</b>										
<b>REVENUES OVER EXPENDITURES</b>	<b>\$ (729.94)</b>	<b>\$ (140,970.02)</b>	<b>\$ (180,182.92)</b>	<b>\$ (6,219.32)</b>	<b>\$ -</b>	<b>\$ (10,190.19)</b>	<b>\$ (9,122.10)</b>	<b>\$ (347,414.49)</b>	<b>\$ (319,197.16)</b>	<b>\$ (666,611.65)</b>
Sale of equipment	-	-	\$ 26,355.01	-	-	-	-	26,355.01	-	26,355.01
Net operating transfers	-	173,892.70	172,665.94	349.50	-	15,000.00	-	361,908.14	319,197.16	681,105.30
<b>INCREASE (DECREASE) IN</b>										
<b>FUND BALANCE</b>	<b>\$ (729.94)</b>	<b>\$ 32,922.68</b>	<b>\$ 18,838.03</b>	<b>\$ (5,869.82)</b>	<b>\$ -</b>	<b>\$ 4,809.81</b>	<b>\$ (9,122.10)</b>	<b>\$ 40,848.66</b>	<b>\$ -</b>	<b>\$ 40,848.66</b>
Fund balance at July 1, 2014	45,000.46	458.87	15,849.31	35,194.89	18.91	2,373.96	655,462.11	754,358.51	-	754,358.51
<b>FUND BALANCE AT JUNE 30, 2015</b>	<b>\$ 44,270.52</b>	<b>\$ 33,381.55</b>	<b>\$ 34,687.34</b>	<b>\$ 29,325.07</b>	<b>\$ 18.91</b>	<b>\$ 7,183.77</b>	<b>\$ 646,340.01</b>	<b>\$ 795,207.17</b>	<b>\$ -</b>	<b>\$ 795,207.17</b>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND**  
**Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Interest income	\$ 100	\$ 100	\$ 91	\$ (9)
<b>Expenditures:</b>				
Retirement of bonds	\$ 426,000	\$ 426,000	\$ 154,367	\$ 271,633
Interest on bonds	153,513	153,513	30,515	122,998
Bond fees	5,302	5,302	589	4,713
<b>TOTAL EXPENDITURES</b>	<b>\$ 584,815</b>	<b>\$ 584,815</b>	<b>\$ 185,471</b>	<b>\$ 399,344</b>
<b>EXCESS OF EXPENDITURES</b>				
<b>OVER REVENUES</b>	<b>\$ (584,715)</b>	<b>\$ (584,715)</b>	<b>\$ (185,380)</b>	<b>\$ 399,335</b>
Operating transfer	584,715	584,715	185,471	(399,244)
<b>CHANGE IN</b>				
<b>FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91</b>	<b>\$ 91</b>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE - STATE STREET AID FUND**  
**Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental revenue	\$ 135,649	\$ 135,649	\$ 133,884	\$ (1,765)
Interest income	50	50	15	(35)
<b>TOTAL REVENUES</b>	<b>\$ 135,699</b>	<b>\$ 135,699</b>	<b>\$ 133,899</b>	<b>\$ (1,800)</b>
<b>Expenditures:</b>				
Street lighting	135,000	135,000	134,629	\$ 371
<b>CHANGE IN</b>				
<b>FUND BALANCE</b>	<b>\$ 699</b>	<b>\$ 699</b>	<b>\$ (730)</b>	<b>\$ (1,429)</b>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE - SOLID WASTE FUND**  
**Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Refuse collection	\$ 345,000	\$ 345,000	\$ 346,138	\$ 1,138
Other	-	-	232	232
<b>TOTAL REVENUES</b>	<b>\$ 345,000</b>	<b>\$ 345,000</b>	<b>\$ 346,370</b>	<b>\$ 1,370</b>
<b>Expenditures:</b>				
Salaries and related expenses	189,466	189,466	271,862	(82,396)
Repairs and maintenance	33,000	33,000	42,045	(9,045)
Gas, oil and diesel	42,000	42,000	33,279	8,721
Utilities	4,775	4,775	4,782	(7)
General purpose machinery	8,000	124,965	123,506	1,459
Miscellaneous	9,200	9,200	11,866	(2,666)
<b>TOTAL EXPENDITURES</b>	<b>286,441</b>	<b>403,406</b>	<b>487,340</b>	<b>(83,934)</b>
<b>EXCESS OF EXPENDITURES</b>				
<b>OVER REVENUES</b>	<b>\$ 58,559</b>	<b>\$ (58,406)</b>	<b>\$ (140,970)</b>	<b>\$ (82,564)</b>
Net operating transfers	(58,559)	(58,559)	173,893	232,452
<b>CHANGE IN</b>				
<b>FUND BALANCE</b>	<b>\$ -</b>	<b>\$ (116,965)</b>	<b>\$ 32,923</b>	<b>\$ 149,888</b>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE - DRUG FUND**  
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive (Negative)</u>
<b>Revenues</b>	\$ 1,050	\$ 5,000	\$ 3,817	\$ (1,183)
<b>Special Investigative Funds</b>	<u>5,000</u>	<u>11,245</u>	<u>10,036</u>	<u>(1,209)</u>
<b>EXCESS OF EXPENDITURES</b>				
<b>OVER REVENUES</b>	(3,950)	(6,245)	(6,219)	(26)
Operating transfer in			<u>350</u>	<u>(350)</u>
<b>CHANGE IN</b>				
<b>FUND BALANCE</b>	<u>\$ (3,950)</u>	<u>\$ (6,245)</u>	<u>\$ (5,869)</u>	<u>\$ 376</u>

See the notes to financial statements.



**CITY OF SPARTA, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE - LIBERTY SQUARE FUND**  
**Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Contributions and donations	\$ 15,000	\$ 25,000	\$ 21,423	\$ (3,577)
<b>Expenditures:</b>				
Public Relations	\$ 30,000	\$ 32,000	\$ 31,613	\$ 387
<b>EXCESS OF EXPENDITURES</b>				
<b>OVER REVENUES</b>	\$ (15,000)	\$ (7,000)	\$ (10,190)	\$ (3,964)
Operating transfers in	15,000	15,000	15,000	-
<b>CHANGE IN</b>				
<b>FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 4,810</u>	<u>\$ (3,190)</u>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE - INDUSTRIAL DEVELOPMENT FUND**  
**Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Interest earnings	\$ 1,050	\$ 1,050	\$ 958	\$ (92)
Note repayments	8,564	8,564	7,143	(1,421)
<b>TOTAL REVENUES</b>	<b>\$ 9,614</b>	<b>\$ 9,614</b>	<b>\$ 8,101</b>	<b>\$ (1,513)</b>
<b>Expenditures:</b>				
Economic development and assistance	10,000	10,080	10,080	-
<b>Revenues over (under)</b>				
<b>Expenditures</b>	<b>\$ (386)</b>	<b>\$ (466)</b>	<b>\$ (1,979)</b>	<b>\$ (1,513)</b>
Conversion to GAAP Basis	(8,564)	(8,564)	(7,143)	(1,421)
<b>CHANGE IN FUND</b>				
<b>BALANCE</b>	<b>\$ (8,950)</b>	<b>\$ (9,030)</b>	<b>\$ (9,122)</b>	<b>\$ (92)</b>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE - EQUIPMENT FUND**  
**Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
<b>Revenue: -</b>				
Interest Income	\$ -	\$ -	\$ 2	\$ 2
<b>Expenditures:</b>				
Transportation Equipment	<u>152,550</u>	<u>199,000</u>	<u>180,185</u>	<u>18,815</u>
<b>EXCESS OF EXPENDITURES</b>				
<b>OVER REVENUES</b>	\$ (152,550)	\$ (199,000)	\$ (180,183)	\$ (18,813)
Operating transfer in	152,500	199,000	172,666	(26,334)
Sale of equipment	<u>-</u>	<u>-</u>	<u>26,355</u>	<u>26,355</u>
<b>CHANGE IN</b>				
<b>FUND BALANCE</b>	<u>\$ (50)</u>	<u>\$ -</u>	<u>\$ 18,838</u>	<u>\$ (18,792)</u>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECT FUND**  
**Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Paved streets	\$ 50,000	\$ 260,000	\$ 240,852	\$ 19,148
Sidewalks and crosswalks	50,000	50,000	34,593	15,407
Sign parts and supplies	15,000	15,000	20,156	(5,156)
Recreational facilities	40,000	40,000	23,596	16,404
<b>TOTAL EXPENDITURES</b>	<u>\$ 155,000</u>	<u>\$ 365,000</u>	<u>\$ 319,197</u>	<u>\$ 45,803</u>
<b>EXCESS OF EXPENDITURES</b>				
<b>OVER REVENUES</b>	\$ (155,000)	\$ (365,000)	\$ (319,197)	\$ (45,803)
Operating transfer	<u>155,000</u>	<u>365,000</u>	<u>319,197</u>	<u>(45,803)</u>
<b>CHANGE IN</b>				
<b>FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ (91,606)</u>

See the notes to financial statements.

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**Year ended June 30, 2015**

<b>Federal Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Expenditures</b>
<b><u>Federal Awards</u></b>			
<b>U.S. Department of Agriculture</b>			
Direct Program:			
Water and Waste Disposal Systems for Rural Communities - Loan	10.760		\$ 572,446.68
Water and Waste Disposal Systems for Rural Communities - Grant	10.760		797,796.00
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 1,370,242.68</b>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Program:			
Community Development Block Grant / States Program	14.228	32436	437,753.96
<b>U.S. Department of Transportation Federal Highway Administration</b>			
Direct Program:			
Recreational Trails Program	20.219		1,980.00
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 1,809,976.64</b>
<b><u>State Financial Assistance</u></b>			
TN Department of Transportation	N/A	02LPLM-S3-032	\$ 23,596.02
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<b>\$ 1,833,572.66</b>

**NOTE A - LOANS OUTSTANDING:**

At June 30, 2015, there was an outstanding balance of \$58,920.11 on a loan obtained in a previous year through the U.S. Department of Agriculture. Payments during the current fiscal year totaled \$6,574.00.

**NOTE B - BASIS OF PRESENTATION:**

The accompanying Schedule of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Sparta under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the accrual basis of accounting.

**OTHER FINANCIAL INFORMATION (UNAUDITED)**

**CITY OF SPARTA, TENNESSEE**  
**LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS**  
**June 30, 2015**

Maturities During Year Ending June 30,	General Obligation 2/27/2002		TML Bond 11/19/2008		General Obligation 1/25/2013		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 3,723.45	\$ 2,850.55	\$ 11,075.10	\$ 501.61	\$ 147,035.00	\$ 26,950.26	\$ 192,135.97
2017	3,947.66	2,626.34	11,457.00	284.54	150,815.90	23,377.30	192,508.74
2018	4,135.17	2,438.83	3,061.25	59.98	154,596.80	19,712.48	184,004.51
2019	4,331.60	2,242.40			158,377.70	15,955.78	180,907.48
2020	4,537.35	2,036.65			162,158.60	12,107.20	180,839.80
2021	4,752.87	1,821.13			165,939.50	8,166.74	180,680.24
2022	4,978.63	1,595.37			170,140.50	4,134.41	180,848.91
2023	5,215.12	1,358.88					6,574.00
2024	5,462.83	1,111.17					6,574.00
2025	5,722.32	851.68					6,574.00
2026	5,994.13	579.87					6,574.00
2027	6,118.98	455.02					6,574.00
	<u>\$ 58,920.11</u>	<u>\$ 19,967.89</u>	<u>\$ 25,593.35</u>	<u>\$ 846.13</u>	<u>\$ 1,109,064.00</u>	<u>\$ 110,404.17</u>	<u>\$ 1,324,795.65</u>

**CITY OF SPARTA, TENNESSEE**  
**SPARTA WATER AND SEWER SYSTEM**  
**BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS**  
**June 30, 2015**

<b>Maturities</b>	<b>General Obligation Note,</b>		<b>General Obligation Note,</b>		<b>TML Bond</b>		<b>Water and Sewer Revenue and</b>		
<b>During</b>	<b>Series 2012B</b>		<b>Series 2012A</b>		<b>11/9/2008</b>		<b>Tax Bond, Series 2011</b>		
<b>Year</b>	<b>1/25/2013</b>		<b>1/25/2013</b>		<b>11/9/2008</b>		<b>12/9/2014</b>		
<b>Ending</b>	<b>\$876,000.00</b>		<b>\$2,110,836.00</b>		<b>\$583,226.02</b>		<b>\$1,590,000.00</b>		
<b>June 30,</b>									
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 84,000.00	\$ 15,454.80	\$ 202,965.00	\$ 37,201.74	\$ 75,924.90	\$ 3,437.97	\$ 24,899.51	\$ 41,737.49	\$ 485,621.41
2017	86,000.00	13,413.60	208,184.10	32,269.70	78,543.00	1,949.85	25,553.11	41,083.89	486,997.25
2018	89,000.00	11,323.80	213,403.20	27,210.82	20,938.76	410.40	26,223.87	40,413.13	428,923.98
2019	91,000.00	9,161.10	218,622.30	22,025.12			26,912.26	39,724.74	407,445.52
2020	93,000.00	6,949.80	223,841.40	16,712.60			27,618.72	39,018.28	407,140.80
2021	95,000.00	4,689.90	229,060.50	11,273.26			28,343.68	38,293.32	406,660.66
2022	98,000.00	2,381.40	234,859.50	5,707.09			29,087.73	37,549.27	407,584.99
2023							29,851.28	36,785.72	66,637.00
2024							30,634.86	36,002.14	66,637.00
2025							31,439.03	35,197.97	66,637.00
2026							32,264.29	34,372.71	66,637.00
2027							33,111.24	33,525.76	66,637.00
2028							33,980.41	32,656.59	66,637.00
2029							34,872.40	31,764.60	66,637.00
2030							35,787.78	30,849.22	66,637.00
2031							36,727.22	29,909.78	66,637.00
2032							37,691.33	28,945.67	66,637.00
2033							38,680.70	27,956.30	66,637.00
2034							39,696.09	26,940.91	66,637.00
2035							40,738.10	25,898.90	66,637.00
2036							41,807.47	24,829.53	66,637.00
2037							42,904.92	23,732.08	66,637.00
2038							44,031.20	22,605.80	66,637.00
2039							45,187.01	21,449.99	66,637.00
2040							46,373.15	20,263.85	66,637.00
2041							47,590.46	19,046.54	66,637.00
2042							48,839.71	17,797.29	66,637.00
2043							50,121.74	16,515.26	66,637.00
2044							51,437.45	15,199.55	66,637.00
2045							52,787.66	13,849.34	66,637.00
2046							54,173.34	12,463.66	66,637.00
2047							55,595.38	11,041.62	66,637.00
2048							57,054.76	9,582.24	66,637.00
2049							58,552.47	8,084.53	66,637.00
2050							60,089.48	6,547.52	66,637.00
2051							61,666.83	4,970.17	66,637.00
2052							63,285.57	3,351.43	66,637.00
2053							64,387.79	1,690.17	66,077.96
	<u>\$ 636,000.00</u>	<u>\$ 63,374.40</u>	<u>\$ 1,530,936.00</u>	<u>\$ 152,400.33</u>	<u>\$ 175,406.66</u>	<u>\$ 5,798.22</u>	<u>\$ 1,590,000.00</u>	<u>\$ 941,646.96</u>	<u>\$ 5,095,562.57</u>



**CITY OF SPARTA, TENNESSEE**  
**PROPERTY TAXES**  
**Year ended June 30, 2015**

Tax rates and taxes assessed for the ten most current years were:

<b>Year</b>	<b>Tax Rate</b>	<b>Tax Assessed</b>
2014	\$1.05	\$ 1,119,149
2013	\$1.05	1,110,686
2012	\$1.05	1,131,242
2011	\$1.05	1,089,662
2010	\$1.05	1,082,881
2009	\$1.10	1,043,073
2008	\$1.10	1,087,586
2007	\$1.10	1,104,547
2006	\$1.23	1,074,110
2005	\$1.23	1,047,579

A summary of changes in property taxes receivable during the year follows:

	<b>Balance at July 1</b>	<b>Assessment</b>	<b>Collections</b>	<b>Adjustments</b>	<b>Balance at June 30</b>
2014		\$ 1,119,149.00	\$ 1,064,927.00	\$ -	\$ 54,222.00
2013	\$ 50,013.00	-	41,969.00	11,690.73	19,734.73
2012	12,674.00	-	7,463.00	(42.00)	5,169.00
2011	4,750.00	-	4,712.00	(9.00)	29.00
2010	211.00	-	-	-	211.00
2009	-	-	-	-	-
2008	6.00	-	-	(6.00)	-
2007	-	-	-	-	-
2006	-	-	-	-	-
2005	-	-	-	-	-
	<u>\$ 67,654.00</u>	<u>\$ 1,119,149.00</u>	<u>\$ 1,119,071.00</u>	<u>\$ 11,633.73</u>	<u>\$ 79,365.73</u>
			Add 2015 assessed taxes		<u>1,260,137.00</u>
					<u><u>\$ 1,339,502.73</u></u>

All uncollected taxes for years prior to 2014 have been turned over to the Clerk and Master for collection.

2015 Taxes assessed	\$ 1,260,137.00
Estimated uncollectible taxes	<u>(6,300.69)</u>
<b>DEFERRED PROPERTY TAX REVENUE</b>	<u><u>\$ 1,253,836.31</u></u>



# AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0  
American Water Works Association  
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?	Click to access definition
+	Click to add a comment

Water Audit Report for: **SPARTA WATER**  
Reporting Year: **2015** **7/2014 - 6/2015**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

## WATER SUPPLIED

<----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+	?	9	810.535	MG/Yr
Water imported:	+	?		0.000	MG/Yr
Water exported:	+	?	9	307.739	MG/Yr

## Master Meter and Supply Error Adjustments

Pcnt:	Value:						
+	?	9	1.00%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr
+	?			<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr
+	?			<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

**WATER SUPPLIED:** **494.771** MG/Yr

## AUTHORIZED CONSUMPTION

Billed metered:	+	?	8	238.440	MG/Yr
Billed unmetered:	+	?			MG/Yr
Unbilled metered:	+	?	9	28.509	MG/Yr
Unbilled unmetered:	+	?		6.185	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

**AUTHORIZED CONSUMPTION:** **273.134** MG/Yr

Click here: ?  
for help using option  
buttons below

Pcnt:	Value:			
1.25%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr

Use buttons to select  
percentage of water supplied  
OR  
value

## WATER LOSSES (Water Supplied - Authorized Consumption)

### Apparent Losses

Unauthorized consumption: + ? 1.237 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+	?	8	14.050	MG/Yr
Systematic data handling errors:	+	?		0.596	MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses:** **15.883** MG/Yr

Pcnt:	Value:			
0.25%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr

5.00%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr
0.25%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr

### Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 205.754 MG/Yr

**WATER LOSSES:** **221.637** MG/Yr

## NON-REVENUE WATER

**NON-REVENUE WATER:** **256.331** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

## SYSTEM DATA

Length of mains:	+	?	7	109.0	miles
Number of active AND inactive service connections:	+	?	7	3,280	
Service connection density:	?			30	conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: + ?

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 7 50.0 psi

(length of service line, beyond the property boundary,  
that is the responsibility of the utility)

## COST DATA

Total annual cost of operating water system:	+	?	10	\$1,483,409	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	8	\$2.45	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	7	\$1.72	\$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

## WATER AUDIT DATA VALIDITY SCORE:

\*\*\* YOUR SCORE IS: 81 out of 100 \*\*\*

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

## PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Unauthorized consumption

2: Systematic data handling errors

3: Volume from own sources



## AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.  
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Water Audit Report for: **SPARTA WATER**

Reporting Year: **2015** **7/2014 - 6/2015**

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 81 out of 100 \*\*\*

### System Attributes:

Apparent Losses:	<b>15.883</b>	MG/Yr
+ Real Losses:	<b>205.754</b>	MG/Yr
= <b>Water Losses:</b>	<b>221.637</b>	MG/Yr

? Unavoidable Annual Real Losses (UARL): **19.74** MG/Yr

Annual cost of Apparent Losses: **\$38,913**

Annual cost of Real Losses: **\$354**

Valued at **Variable Production Cost**  
Return to Reporting Worksheet to change this assumption

### Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **51.8%**

Non-revenue water as percent by cost of operating system: **2.7%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **13.27** gallons/connection/day

Real Losses per service connection per day: **N/A** gallons/connection/day

Real Losses per length of main per day\*: **5,171.65** gallons/mile/day

Real Losses per service connection per day per psi pressure: **N/A** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **205.75** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **10.42**

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND REVENUES**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
Taxes:		
Property taxes	\$ 1,116,156.46	\$ -
Interest and penalties on property taxes	11,933.77	-
In lieu of taxes - industry	72,674.60	-
Local option sales tax	1,645,093.72	-
Wholesale beer tax	202,488.17	-
Business tax	186,520.03	-
Cable TV franchise tax	48,965.12	-
<b>TOTAL TAXES</b>	<b>\$ 3,283,831.87</b>	<b>\$ -</b>
Licenses and permits:		
Beer licenses	\$ 3,886.00	\$ -
Building and related permits	23,031.40	-
<b>TOTAL LICENSES OR PERMITS</b>	<b>\$ 26,917.40</b>	<b>\$ -</b>
Intergovernmental revenue:		
TVA in lieu of taxes	\$ 59,153.20	\$ -
State sales tax	384,060.77	-
State income tax	53,886.49	-
State beer tax	2,425.31	-
State alcoholic beverage tax	976.18	-
State gasoline inspection fee	10,344.82	-
Salary supplement	9,600.00	-
Housing Authority in lieu of taxes	26,848.14	-
Corporate excise tax	59,677.89	-
Law enforcement grants	-	-
Riverwalk Bridge grant	2,090.11	-
Other state revenue allocations	496.40	-
State gasoline and motor fuel tax	-	91,791.64
State gasoline 1989	-	14,738.06
State gasoline 3 cent	-	27,353.91
<b>TOTAL INTERGOVERNMENTAL REVENUE</b>	<b>\$ 609,559.31</b>	<b>\$ 133,883.61</b>

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND REVENUES (CONTINUED)**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
Charges for services:		
Special fire protection	\$ 17,273.00	\$ -
Civic Center and Park rental	13,610.00	-
Animal control charges	393.00	-
Accident reports	555.00	-
Sanitation	-	346,138.00
Clerks fee - Business tax	19,105.86	-
<b>TOTAL CHARGES FOR SERVICES</b>	<b>\$ 50,936.86</b>	<b>\$ 346,138.00</b>
Fines and penalties	\$ 93,157.48	\$ 3,903.00
Interest	2,013.20	992.95
Contributions	4,400.00	21,550.81
Rent	3,350.00	-
Sale of capital assets		26,355.01
Miscellaneous	10,247.43	-
<b>TOTAL REVENUE</b>	<b>\$ 4,084,413.55</b>	<b>\$ 532,823.38</b>

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND EXPENDITURES**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
<b>BOARD OF ALDERMEN</b>		
Salaries	\$ 1,200.00	\$ -
Per diem	2,900.00	-
Payroll taxes	313.67	-
Travel	1,400.47	-
Memberships and registration fees	562.50	-
Education and training	533.73	-
	<u>6,910.37</u>	<u>-</u>
<b>CITY COURT</b>		
Salaries	\$ 18,125.88	\$ -
Payroll taxes	1,386.61	-
Retirement	1,501.82	-
Fees	9,719.70	-
Contractual services	3,150.00	-
Other	262.03	-
	<u>\$ 34,146.04</u>	<u>\$ -</u>
<b>MAYOR</b>		
Salaries	\$ 3,000.00	\$ -
Payroll taxes	443.70	-
Public relations	3,197.59	-
Travel and automobile allowance	2,241.02	-
Other	1,375.02	-
	<u>\$ 10,257.33</u>	<u>\$ -</u>
<b>BOARDS AND COMMISSIONS</b>		
Per diem	<u>\$ 810.00</u>	<u>\$ -</u>
<b>GENERAL ELECTION</b>		
Publication of legal documents	<u>\$ 528.00</u>	<u>\$ -</u>

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
<b>CITY ADMINISTRATOR</b>		
Salaries	\$ 64,079.27	\$ -
Payroll taxes	4,903.48	-
Retirement	7,578.79	-
Travel and automobile allowance	2,803.76	-
Office supplies and materials	2,459.90	-
Equipment rental	5,052.66	-
Other	4,003.04	-
	<u>\$ 90,880.90</u>	<u>\$ -</u>
<b>FINANCIAL ADMINISTRATION</b>		
Contractual services	<u>\$ 6,356.00</u>	<u>-</u>
<b>CITY RECORDER</b>		
Salaries	\$ 31,216.27	\$ -
Payroll taxes	2,372.25	-
Retirement	3,518.01	-
Travel	706.09	-
Other	735.93	-
	<u>\$ 38,548.55</u>	<u>\$ -</u>
<b>CITY ATTORNEY</b>		
Salaries	\$ 3,600.00	\$ -
Payroll taxes	275.40	-
Retirement	405.72	-
Membership and registration fees	175.00	-
Travel	327.00	-
Legal services	4,127.00	-
	<u>\$ 8,910.12</u>	<u>\$ -</u>
<b>PERSONNEL ADMINISTRATION</b>		
Legal services	<u>\$ 1,064.50</u>	<u>\$ -</u>

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
GIS		
Salaries	\$ 5,042.77	\$ -
Payroll taxes	306.27	-
Retirement	429.32	-
Other	2,338.90	-
	<u>\$ 8,117.26</u>	<u>\$ -</u>
CITY HALL BUILDINGS		
Salaries	\$ 12,927.20	\$ -
Payroll taxes	874.93	-
Utilities	13,191.83	-
Repairs and maintenance	6,081.11	-
Janitorial and operating supplies	1,597.24	-
Contractual services	2,680.88	-
Other	175.00	-
	<u>\$ 37,528.19</u>	<u>\$ -</u>
INDUSTRIAL PARK		
Electric	<u>\$ 591.36</u>	<u>\$ -</u>
PUBLIC WORKS		
Salaries	\$ 11,754.29	\$ -
Payroll taxes	879.58	-
Retirement	1,337.21	-
Contracted services	198.75	-
Utilities	2,373.24	-
Uniforms	770.49	-
Vehicle expenses	579.18	-
Engineering	24,565.94	-
Paving	1,643.81	-
Other	2,229.83	-
	<u>\$ 46,332.32</u>	<u>\$ -</u>



**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
PLANNING		
Consultant fees	\$ 16,000.00	\$ -
GENERAL GOVERNMENT		
Insurance	\$ 145,007.29	\$ -
Telephone	26,025.99	-
Auditing	8,000.00	-
Public relations	535.42	-
Postage	2,394.54	-
Printing and stationary	351.20	-
Publication of documents	6,634.30	-
Fees	1,829.00	-
Other	14,482.99	-
	<u>\$ 205,260.73</u>	<u>\$ -</u>
POLICE		
Salaries	\$ 661,869.91	\$ -
Payroll taxes	50,806.15	-
Retirement	74,343.10	-
Education and training	1,515.00	-
Utilities	15,188.95	-
Repairs and maintenance	6,876.53	-
Travel	3,663.56	-
Supplies	10,091.74	-
Uniforms	4,041.65	-
Fire arm supplies	2,143.37	-
Gasoline and oil	45,253.15	-
Vehicle repairs	5,759.93	-
Contractual services	2,444.00	-
Machinery and equipment	25,177.44	55,402.60
Public relations	339.92	-
Other	6,540.10	5,791.00
	<u>\$ 916,054.50</u>	<u>\$ 61,193.60</u>

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
TRAFFIC CONTROL		
Utilities	\$ 1,466.47	\$ -
COMMUNICATIONS SERVICES		
White County 911 Emergency Communications District	\$ 69,954.00	\$ -
FIRE PROTECTION		
Salaries	\$ 235,718.07	\$ -
Payroll taxes	17,892.77	-
Retirement	26,203.25	-
Volunteer firemen	10,060.00	-
Utilities	17,822.29	-
Repairs and maintenance	31,553.30	-
Public relations	2,945.45	-
Supplies	7,237.27	-
Travel	3,326.22	-
Gasoline, oil and diesel fuel	9,721.38	-
Vehicle repairs	4,289.31	-
Uniforms	8,359.45	-
Machinery and equipment	7,235.12	33,277.74
Education and training	1,123.08	-
Insurance	14,830.00	-
Contractual services	4,185.85	-
Other	2,912.14	-
	\$ 405,414.95	\$ 33,277.74
PROTECTIVE INSPECTION		
Salaries	\$ 28,271.30	\$ -
Payroll taxes	2,157.08	-
Retirement	3,186.16	-
Contracted services	7,250.00	-
Vehicle expense	1,425.06	-
Transportation equipment	10,941.36	-
Other	2,584.63	-
	\$ 55,815.59	\$ -

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
<b>RESCUE SQUAD</b>		
Donation	\$ 3,300.00	\$ -
	<u>                    </u>	<u>                    </u>
<b>HIGHWAYS AND STREETS</b>		
Salaries	\$ 369,101.69	\$ -
Payroll taxes	28,099.52	-
Retirement	41,056.19	-
Contracted services	14,317.64	-
Utilities	6,929.89	-
Repairs and maintenance	21,130.19	-
Gas, oil and diesel fuel	39,353.01	-
Vehicle repair	26,695.60	-
Supplies	28,346.60	-
Uniforms	5,391.97	-
Culverts, stone, salt and asphalt	28,383.39	-
Sealing and striping	24,000.00	-
Machinery and equipment	16,824.11	95,749.60
Street lights		134,628.71
Other	3,381.04	-
	<u>\$ 653,010.84</u>	<u>\$ 230,378.31</u>
	<u>                    </u>	<u>                    </u>
<b>ANIMAL CONTROL</b>		
Salaries	\$ 23,038.21	\$ -
Payroll taxes	1,762.41	-
Retirement	2,596.29	-
Utilities	3,387.95	-
Veterinarian expense	592.00	-
Vehicle expense	2,826.90	-
Other	1,890.28	-
	<u>\$ 36,094.04</u>	<u>\$ -</u>
	<u>                    </u>	<u>                    </u>

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
<b>DIRECT ASSISTANCE</b>		
White County Chamber of Commerce	\$ 22,500.00	\$ -
Pacesetters	8,000.00	-
White County Library	6,000.00	-
White County Senior Citizens Center	12,005.00	-
Sparta YMCA	5,000.00	-
White County Schools	50,000.00	-
Others	10,643.01	-
	<u>\$ 114,148.01</u>	<u>\$ -</u>
<b>LIGHTED STREET SIGNS</b>		
Engineering	\$ -	\$ -
Signs	-	-
	<u>\$ -</u>	<u>\$ -</u>
<b>CIVIC CENTER</b>		
Utilities	\$ 7,124.35	\$ -
Contracted services	4,420.00	-
Repairs and maintenance	329.63	-
Supplies	860.93	-
Gas, oil and diesel	1,398.71	-
Tables and chairs	7,480.11	-
Other	761.73	-
	<u>\$ 22,375.46</u>	<u>\$ -</u>
<b>OLDHAM'S THEATER</b>		
Utilities	\$ 4,200.56	\$ -
Repairs and maintenance	95.54	-
Contract services	464.00	-
Supplies	392.54	-
	<u>\$ 5,152.64</u>	<u>\$ -</u>
<b>LITTLE LEAGUE BALL PARKS</b>		
Utilities	<u>\$ 12,021.01</u>	<u>\$ -</u>

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
<b>SWIMMING POOL</b>		
Utilities	\$ 30,699.74	\$ -
Repairs and maintenance	56,334.32	-
Supplies	6,222.70	-
Machinery and equipment	38,595.87	-
Other	292.00	-
	<u>\$ 132,144.63</u>	<u>\$ -</u>
 <b>LIBERTY SQUARE</b>		
Public relations	<u>\$ -</u>	<u>\$ 31,613.19</u>
 <b>AMPHITHEATER CONCERTS</b>		
Contracted services	\$ 7,637.00	\$ -
Other	212.44	-
	<u>\$ 7,849.44</u>	<u>\$ -</u>
 <b>PARKS</b>		
Landscaping	\$ 2,700.25	\$ -
Utilities	14,017.69	-
Repairs and maintenance	15,874.69	-
Sign parts and supplies	3,918.60	-
Supplies	2,238.10	-
	<u>\$ 38,749.33</u>	<u>\$ -</u>
 <b>ECONOMIC DEVELOPMENT</b>		
Highland Initiative	\$ -	\$ 10,000.00
Other	732.17	80.00
	<u>\$ 732.17</u>	<u>\$ 10,080.00</u>
 <b>INSURANCE</b>		
Employees health insurance	<u>\$ 258,881.84</u>	<u>\$ -</u>

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2015**

	General Fund	Special Revenue Fund
<b>RETAIL COACH</b>		
Contracted services	\$ 26,173.27	\$ -
<b>MUNICIPAL AIRPORT</b>		
Contributions to Upper Cumberland Regional Airport - Joint Venture	\$ 28,000.00	\$ -
<b>SANITATION</b>		
Salaries	\$ -	\$ 200,773.28
Payroll taxes	-	15,289.78
Retirement	-	22,192.90
Utilities	-	4,782.26
Supplies	-	6,454.51
Gas, oil and diesel fuel	-	33,279.28
Vehicle repairs and maintenance	-	24,333.11
Repairs and maintenance	-	17,711.52
Fees	-	1,825.74
Employee insurance	-	33,605.76
Uniforms	-	2,309.03
Machinery and equipment	-	6,541.00
Transportation equipment		116,965.00
Other	-	1,276.85
	\$ -	\$ 487,340.02
<b>CALFKILLER RIVERWATCH</b>		
Matching funds	\$ 1,980.00	
<b>WEED AND MOSQUITO CONTROL</b>		
Supplies	\$ 2,284.32	

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF UTILITY RATES**  
**SPARTA ELECTRIC SYSTEM**  
**June 30, 2015**

**RESIDENTIAL RATE - SCHEDULE RS**

Customer charge	\$ 13.10	per month less \$1.60 Hydro allocation credit
Energy charge	All kWh	per month at 0.08859 per kWh

**GENERAL POWER RATE - SCHEDULE GSA**

**PART 1.**

Customer charge	\$ 22.22	per delivery point per month
Energy charge	All kWh	per month at 0.09944 per kWh

**PART 2.**

Customer charge	\$ 60.00	per delivery point per month
Demand charge	First 50 kW of billing demand	per month, no charge
	Excess over 50 kW of billing demand	per month, at \$11.59 per kW
Energy charge	All 15,000 kWh	per month at 0.10038 per kWh
	Additional kWh	per month at 0.06133 per kWh

**PART 3.**

Customer charge	\$ 400.00	per delivery point per month
Demand charge	First 1,000 kW of billing demand	per month, at \$11.86 per kW
	Excess over 1,000 kW of billing demand	per month, at \$13.95 per kW
Energy charge	All kWh	per month at 0.06025 per kWh

**OUTDOOR LIGHTING RATE - SCHEDULE LS**

Energy charge	0.06643	per kWh		
Facility charge	LS (6.00)%	<table><tr><td>B</td></tr><tr><td>A or B</td></tr></table>	B	A or B
B				
A or B				

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF UTILITY RATES**  
**SPARTA WATER AND SEWER SYSTEM**  
**June 30, 2015**

**Residential Rates - Inside City**

First 2,000 gallons of water	\$13.20 minimum
Next 8,000 gallons of water	@ \$3.24 per thousand gallons
All over 10,000 gallons of water	@ \$2.04 per thousand gallons

**Residential Rates - Outside City**

First 2,000 gallons of water	\$19.80 minimum
Next 8,000 gallons of water	@ \$4.86 per thousand gallons
All over 10,000 gallons of water	@ \$3.06 per thousand gallons

**Commercial Rates - Inside City**

First 2,000 gallons of water	\$16.50 minimum
Next 8,000 gallons of water	@ \$4.05 per thousand gallons
All over 10,000 gallons of water	@ \$2.55 per thousand gallons

**Commercial Rates - Outside City**

First 2,000 gallons of water	\$24.75 minimum
Next 8,000 gallons of water	@ \$6.08 per thousand gallons
All over 10,000 gallons of water	@ \$3.83 per thousand gallons

**Industrial Rates**

First 2,000 gallons of water	\$16.50 minimum
Next 8,000 gallons of water	@ \$4.05 per thousand gallons
All over 10,000 gallons of water	@ \$2.55 per thousand gallons

**Utility District Rates**

\$2.34 per thousand gallons

Sewer charge, where applicable, is 130% of the water bill.

There were 3,280 water customers and 1,941 sewer customers billed for June 2015.



**CITY OF SPARTA, TENNESSEE**  
**INSURANCE IN FORCE**  
**June 30, 2015**

	<u>Amounts of Insurance</u>	<u>Expiration Date</u>
<b><u>City General</u></b>		
<b><u>General Liability and Personal Injury:</u></b>		
Bodily injury and personal injury		
per person	\$ 300,000	July 1, 2016
per occurrence	700,000	July 1, 2016
Other losses -per occurrence	1,000,000	July 1, 2016
Property damage - per occurrence	100,000	July 1, 2016
Fire damage - per occurrence	100,000	July 1, 2016
Impounded property -per occurrence	100,000	July 1, 2016
Medical payments - per occurrence	10,000	July 1, 2016
Employee honesty - per occurrence	150,000	July 1, 2016
<b><u>Blanket Honesty:</u></b>		
City judge	10,000	February 4, 2016
City recorder	20,000	April 8, 2016
<b><u>Workmen's Compensation:</u></b>	Statutory	July 1, 2016
<b><u>Collision on Fire Trucks</u></b>	Limits in Policy	July 1, 2016
<b><u>Fire, Extended Coverage and Vandalism:</u></b>	90% co-insurance	July 1, 2016
Buildings and contents	12,168,222	
<b><u>Automobile Liability:</u></b>		
Fleet insurance	Limits detailed	July 1, 2016
Uninsured	in policy	
<b><u>Municipal Liability:</u></b>		
Public officials personal errors and omissions liability	1,000,000	July 1, 2016
<b><u>Sparta Electric System and Sparta Water and Sewer System</u></b>		
<b><u>General Liability:</u></b>		
Bodily injury and property damage	750,000	January 1, 2016
Excess public liability -catastrophes	2,500,000	
<b><u>Automobile Liability:</u></b>		
Liability	1,000,000	January 1, 2016
Medical	2,000	
Uninsured motorist	300,000	
<b><u>Workmen's Compensation</u></b>	Statutory	January 1, 2016
<b><u>Fire Insurance:</u></b>		
Building and contents	1,875,300	January 1, 2016
Water plant	7,556,567	
Transformers	1,600,000	

**CITY OF SPARTA, TENNESSEE  
INSURANCE IN FORCE (CONT'D)  
June 30, 2015**

<u>Money and Securities</u>	250,000	January 1, 2016
<u>Public Officials and Errors and Omissions</u>	1,000,000	January 1, 2016
<u>Equipment Float</u>	1,251,425	January 1, 2016
<u>Employee Honesty Bond</u>	250,000	January 1, 2016

## **COMPLIANCE**

# **ALBERT R. DICUS**

*Certified Public Accountant*

*Member: AICPA; TSCPA*

*Telephone (931) 836-2205  
or (931) 836-2248  
Fax (931) 836-3529*

*P.O. Box 176  
131 South Main Street  
Sparta, Tennessee 38583*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS  
Independent Auditor's Report**

Mayor and Board of Aldermen  
City of Sparta, Tennessee  
Sparta, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sparta, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Sparta's basic financial statements and have issued my report thereon dated March 23, 2016.

## **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the City of Sparta's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Sparta's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Sparta, Tennessee's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Sparta, Tennessee's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant

Sparta, Tennessee  
March 23, 2016

# **ALBERT R. DICUS**

*Certified Public Accountant*

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## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

### **Independent Auditor's Report**

Board of Mayor and Aldermen  
City of Sparta  
Sparta, Tennessee

#### **Report on Compliance for Each Major Federal Program**

I have audited City of Sparta, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Sparta, Tennessee's major federal programs for the year ended June 30, 2015. City of Sparta, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of City of Sparta, Tennessee's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Sparta, Tennessee's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of City of Sparta, Tennessee's compliance.

***Opinion on Each Major Federal Program***

In my opinion, City of Sparta, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of City of Sparta, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit, I considered City of Sparta, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine my auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City of Sparta, Tennessee's internal control over compliance.

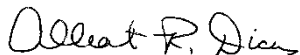
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

I have audited the financial statements of City of Sparta, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Sparta, Tennessee's basic financial statements. I have issued my report thereon dated March 23, 2016, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Certified Public Accountant  
Sparta, Tennessee  
March 23, 2016



**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2015**

**I: SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Sparta, Tennessee.
2. No significant deficiencies were disclosed during the audit of the financial statements that are reported in the "Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance that are required to be reported under *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies were disclosed by the audit of the major program of the City of Sparta, Tennessee.
5. The auditor's report on compliance for the major programs for the City of Sparta, Tennessee expresses an unqualified opinion.
6. The programs tested as major programs were "Water and Waste Disposal Systems for Rural Communities," U.S. Department of Agriculture, CFDA number 10.760, and "Community Development Block Grant/States Program", U.S. Department of Housing and Urban Development, CFDA number 14.228.
7. The threshold for distinguishing Types A and B programs is \$300,000.
8. The City of Sparta, Tennessee is determined not to be a low risk auditee.

**CITY OF SPARTA, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2015**

There were no prior findings reported.